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Implementace strategie prostřednictvím metody Balanced Scorecard

Implementation of Strategy Through Balanced Scorecard Method

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I hereby declare that I have elaborated the entire thesis including annexes myself. I have supplemented the provided annexes No.1, 2, 3, 4, 5, 6, and 7, myself.

In Ostrava dated 26-04-2019

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1 Introduction

In 1992, two Harvard doctors came up with a method known as Balanced Scorecard. The Balanced Scorecard is widely recognized as a strategic tool and is used to enhance the achievement of strategic objectives. It provides a framework for measuring the company's performance by using a balanced set of performance measures. The main advantage of using BSC is that it maintains a balance between the financial and non-financial measures, short and long-term objectives, and internal and external performance perspectives. For this reason, we decided to use the Balanced Scorecard in my diploma thesis.

The aim of this diploma thesis is to prepare a complex strategic analysis, to formulate a proper strategy and to propose Balanced Scorecard for a selected company.

Subsequent to the primary objective, this work will focus on: (1) identifying the external factors that affect the company, (2) outcoming the internal factors that provide the company with competitive advantage, (3) carrying out a financial analysis and deducing the financial situation of the company, (4) suggesting a suitable strategy, (5) suggesting proper objectives and indicators of Balanced Scorecard, (6) creating the BSC for a selected company and (6) stating the BSC implementation schedule.

This diploma thesis will be divided into five sections. The first chapter is the introduction, and the last is the conclusion. The second chapter is the theoretical – methodological description. The third chapter introduces the company and then the fourth chapter implements the BSC method.

Chapter 2 will go through the definition of key words, such as strategy, strategic management and Balanced Scorecard. It will emphasize the importance of strategic analyses and the tools to be used in the following topic. Special attention is given to Balanced Scorecard, where we'll describe its meaning and all the methods that will be used in the practical part, especially when implementing the BSC method.

In Chapter 3, we will introduce the company and develop a complex strategic analysis of the following subject, therefore we'll study its internal and external factors. After that, we'll come out with the company's strengths, weaknesses, opportunities and threats. These factors will be

summarized in a SWOT analysis. With the help of SWOT matrix, we'll formulate the suitable strategy.

Chapter 4 will focus on the implementation of strategy through Balanced Scorecard method. Based on the formulated strategy in chapter 3, strategic objectives will be identified, KPIs will be chosen and BSC will be created. Then we'll suggest a plan for implementing the chosen strategy through Balanced Scorecard method.

A possible hypothesis for this diploma thesis, is to establish whether the company shows signs of financial stability and competitiveness. We formulated the following argument for two reasons. Firstly, signs of financial stability are essential to predict whether the company can reach its objectives. Secondly, to identify its rivalry power in the market.

2 Theoretical-Methodological Part of Strategic Management and Balanced Scorecard

As we already mentioned, in this chapter, we'll go through the definitions of key words, strategy and strategic management. We'll identify the stages of the strategic management process and contents of strategic analysis. This will be followed by a financial analysis, that will provide us with an answer to the question posed by the formulated hypothesis. These analyses will enable us to design a proper strategy for the company through SWOT analysis. After that, we'll focus on the Balanced Scorecard method, interpret the reasons for its usage, its importance, define the four perspectives of Balanced Scorecard. We will also describe how to implement the BSC method and mention its benefits and limitations.

2.1 Strategy and Strategic Management

Robert Grant explains that a strategy is the means by which individuals and companies achieve their objectives. As most definitions, strategy focuses on achieving a certain goal, it involves allocating resources and implies some consistency, integration, or cohesiveness of decisions and actions (2016). However, Duane Ireland stated that strategy is an action plan that contributes toward the achievement of the company's vision (2017). According to Michael Porter, a strategy involves the creation of a unique and appreciated position by including a different set of activities (2008a). From the mentioned definitions we can deduce that, a strategy is a plan of action to achieve a certain goal.

Many authors agree upon the definition of strategic management as the process of formulating, implementing, and evaluating functional decisions in order for an organization to achieve its objectives (David, 2007). For instance, Duane Ireland defines strategic management as the enduring process companies use to form a vision, analyze the external environment and the internal environment, and select a strategy (one or more) that create value for customers and other stakeholders (2017). Usually a *vision* contains at least two components (Ireland, Hoskisson and Hitt, 2017):

(1) the essential information and characteristics needed for the company to function and

(2) the image that it hopes to achieve in a future time period.

Figure 2.1 illustrates the external environment as the outer layer of the company that affects its functioning. While the internal environment is within the company, its management, processes, employees, corporate culture...

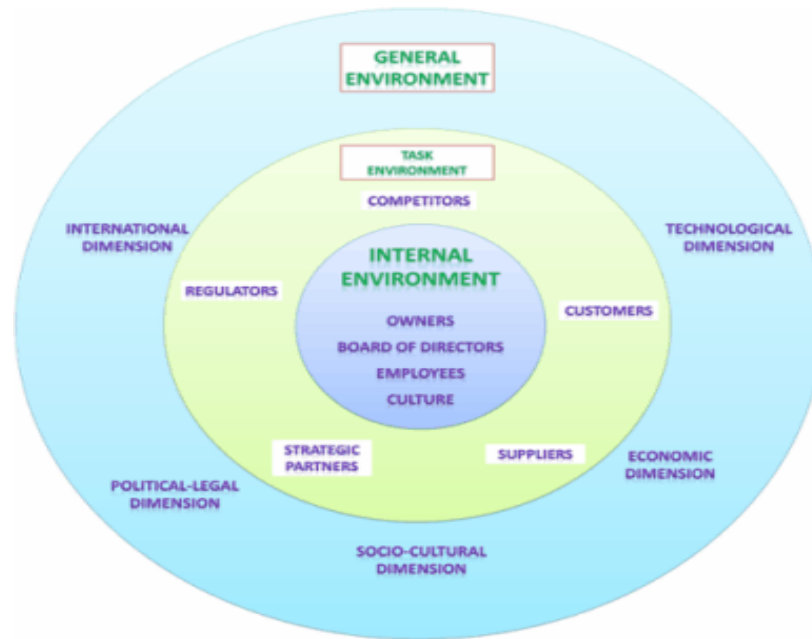


Figure 2.1 External and Internal Factors of a Company

Source: < <https://iedunote.com/organizational-environment-elements> >

2.2 Strategic Management Process

Managers are the decisive aspect in the strategy making process. It is the managers who must take the responsibility for formulating strategies to attain a competitive advantage and putting those strategies into consequence (Charles, Hill and Gareth, 2011).

In most companies, there are two types of managers (Charles, Hill and Gareth, 2011): general managers who are responsible for the overall performance of the company and the sub-divisions. And functional managers, who are responsible for controlling operations or activities, for example finance, marketing, logistics, human resources ...

The strategic management process contains three steps (David, 2007): (1) strategy formulation, (2) strategy implementation and (3) strategy evaluation.

The task of examining the external and internal environment of the organization and formulating proper strategies is known as strategy formulation (Charles, Hill and Gareth, 2011). On the other hand, strategy implementation puts plans into action. It involves setting short-term goals, allocating resources, putting quality improvement plans, etc. After implementing the strategy, the performed activities and processes are monitored in order to take control in case of any deviation, or not meeting the desired results.

2.3 Strategy Formulation

Strategic management process starts with strategy formulation, which consists of developing a vision / mission, and follows by an environmental scanning. External analysis reveals the company's opportunities and threats. Whereby, the internal analysis evaluates the internal processes and procedures of the company and identifies its' strengths and weaknesses. Strategy formulation stage also consists of producing alternative strategies and choosing strategies to pursue. Strategy formulation also includes deciding what businesses to enter, what businesses to abandon, how to allocate resources, whether to expand or branch out activities(David, 2007).

The first step in strategic planning is to develop a vision statement that eventually precedes the development of a mission statement. Many visions are formulated as a single statement, for example - Our vision is to live and grow in a peaceful world.

A well-defined mission statement illustrates the purpose that identifies the company apart from others of its type and identifies the domain of the company's operations (Wheelen and Hunger 2014).

2.3.1 Strategic Analysis

From the figure 2.1, we can deduce that the company's strategic position is influenced by its surrounding and its own internal environment. Strategic analysis is to identify potential variations or risks and evaluate their consequences (Hiriyappa, 2006). It usually begins by analyzing the external environment, which consists of analyzing the macro-environment and micro-environment. The external environment contains entities and forces that influence directly or indirectly the company's results.

2.3.2 Macro-Environment Analysis

Understanding the factors of the environment is a solid basis in strategic analysis, which helps us identify opportunities and threats, and then formulate an appropriate strategy. The aim of the external analysis is to identify forces and trends in the environment, that will have an impact on the company's development in the future.

Key components of the macro-environment refer to political, economic, social and technological factors. Analysis, that divides the macro-environment into four basic groups is known as PEST analysis (Sedláčková and Buchta, 2006). Sometimes two more factors are added; environmental and legal, which formulate PESTLE analysis. The main objective of PEST analysis is to focus on factors that are important for a given enterprise, and which can be less important for other companies. Results of the analysis reveal either new opportunities or prepare the company for possible threats (Byars, 1991).

Economic trends concern the direction of the economy in which a firm competes or may choose to compete. Gross national product, tax rates, employment, inflation rates, income growth or decline, saving rates, and currency rates exchange are all examples of the economic factors that the company observes to understand current and future economic trends (Ireland, Hoskisson and Hitt 2017). Of course, economic trends also affect customer's purchasing decision.

Politics and economics are closely interrelated. Political decisions affect the economic climate directly and indirectly, as well as other aspects of life. Therefore, Politics is an issue-driver (Koufopolos, Pitt and Martyn, 2012). Among political factors we can find, political stability of a certain country, country's membership in International organizations or communities, eventually being a part of the European community. Political constraints affecting the regulation of export and import, anti-monopole laws, laws protecting the environment or domestic businesses (Sedláčková and Buchta, 2006).

Sociocultural trends deal with changes in a society's attitudes and cultural values. Keřkovský and Vykypěl identified the following socio-cultural factors that affect the general environment: socio-political system, values and attitudes of people, lifestyle, qualification structure of the population and its demography (Keřkovský and Vykypěl, 2006). However, a company should be aware of demographic changes which may affect the aggregate demand and hence offer

products/services that meet the new considerations. These changes can either develop an opportunity or a threat, for example, developing products or services for the elderly (Thompson, 2002).

Technological trends concern changes related to creating new knowledge and translating that knowledge into new products, processes and materials. Some firms require a thorough examination of technological trends because of rapid technological change and shortened life-cycles in their industries (Ireland, Hoskisson and Hitt, 2017). Technological influences refer to innovations such as the internet, nanotechnology or the rise of new complex materials (Johnson, Scholes and Whittington, 2009).

Many of these factors are linked together. For example, technology developments may instantaneously change economic factors by creating new jobs or facilitating more leisure (as a social factor) or reducing pollution (as an environmental factor) (Johnson, Scholes and Whittington, 2009).

As seen in Table 2.1, the economic factors can include GDP trends, tax rates, unemployment levels and average wage. Examples of political factors are political stability, environmental protection laws, foreign trade regulations and laws on hiring. Social factors are such as, level of education, age distribution, pension plans, birth-rates... Whereas, technological factors are patent protection, production automation, computer hacking activities and new developments in the surrounding.

Table 2.1 Some Important Factors in the Environment

Economic factors	Political factors	Social Factors	Technological factors
GPD trends	Political stability	Level of education	Patent protection
Tax rates	Environmental protection laws	Age distribution of population	Production-automation
Unemployment levels	Foreign trade regulations	Pension plans	Computer hacking activity
Average wage	Laws on hiring	Birth-rates	New developments

Source: Wheelen and Hunger (2011, page 44), modified.

2.3.3 Micro-Environment Analysis

On the other hand, micro-environmental factors represent the industry in which the company operates (Souček, 2015). An essential aspect of a company's micro-environment analysis is to determine the relevant market and to define the boundaries of the industry where the company competes. Nowadays industries are intermingled, and boundaries are overlapped. These aspects should be taken into consideration in the analysis. The main objective of the microanalysis is to identify key factors that make the sector in which the company functions more attractive and estimate future drifts (Fleisher and Bensoussan, 2015).

The job of the strategist is to understand and cope with competition. Often, managers define competition too narrowly, as if it occurs only among direct competitors. The company's competition for profits exceeds the established industry rivals to include four competitive forces: customers, suppliers, possible entrants and substitute products (Porter 2008b). In order to understand industry competition and profitability, one must analyze the industry's underlying structure of five forces - Figure 2.2.

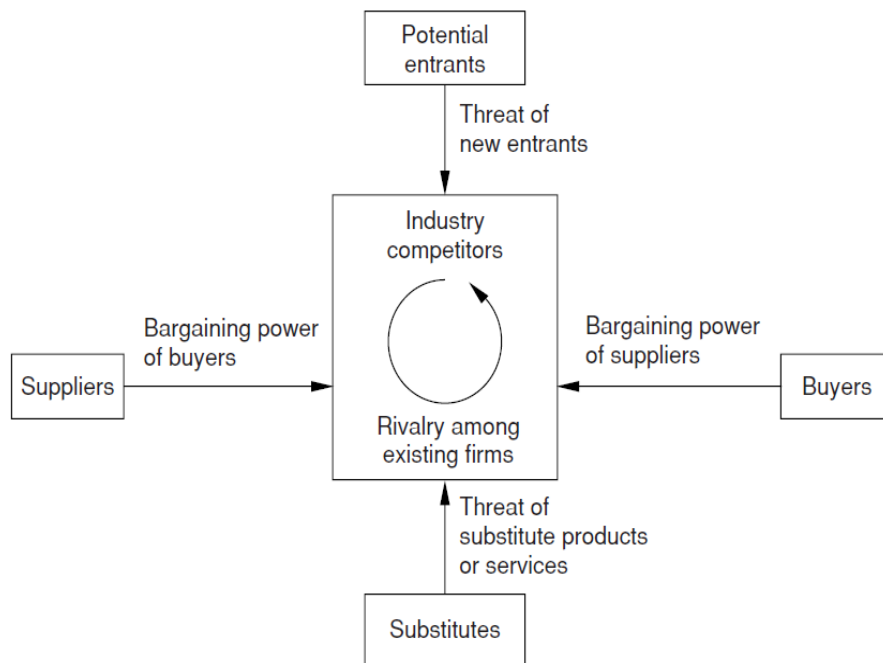


Figure 2.2 The Five Forces That Shape Industry Competition

Source: Porter (2008b, page 5).

Michael Porter ensures that the shared strengths of these forces state the ultimate profit potential in the industry, where profit is measured in terms of long-run return or capital investment (Porter, 2008a). In addition, Hunger and Wheelen state that a strong force can be observed as a threat because it is likely to decrease profits. In contrast, a weak force can be recognized as an opportunity because it lets the company to produce better profits (Wheelen and Hunger, 2011). The five forces are (Porter, 2008a): (1) threat of new entry, (2) threat of substitutes, (3) power of supplier, (4) power of buyer and (5) rivalry among existing competitors.

How easy for a company to enter an industry reveal the degree of competition in each sector. Threat of new entry depends on the extent of barriers of entry. Barriers are factors that need to be overcome by new entrants if they are to compete successfully. As seen in Figure 2.3, the most common barriers are: scale and experience, access to supply or distribution channels, expected retaliation, legislation or government action, and differentiation (Johnson, Scholes and Whittington, 2009).

Barrier	Description
Economies of scale	Without economies of scale, potential new entrants are likely to be at a cost disadvantage relative to established competitors with economies of scale.
Capital requirements	If the amount of financial capital needed isn't available, a firm may not be able to enter an industry at all or may lack the resources to compete against an established competitor.
Switching costs	A firm thinking of entering an industry would want to determine how costly it would be for an industry's customers to buy from a new firm compared with continuing to buy from an established competitor.
Differentiation	If customers decide that an established firm's product uniquely meets their needs, then it may be difficult for a new firm to enter that segment of the market.
Access to distribution channels	If established firms have developed relationships with the majority of distribution channels, potential entrants may find it difficult to gain access because a change may create switching costs for a distributor.
Government policy	Some industries are more regulated than others and require a government license or permit before business can be conducted; entry then becomes more difficult.

Figure 2.3 Barriers to Entry

Source: IRELAND, HOSKISSON and HITT (2017, page 56).

A substitute performs the same or similar function as an industry's product by a different means. When the threat of substitution is high, industry profitability suffers. According to Porter, the company's profit potential is limited by substitute products and services putting a ceiling on prices (Porter 2008b).

Purchasers can affect the industry through their ability to scale down prices, requiring higher quality or more services, and play competitors against each other (Wheelen and Hunger, 2014). Buyers tend to be powerful, if: (1) they buy a large share of the trading company, (2) the retailing is reliant on the purchasers for a weighty portion of its sales revenue, (3) they can shift to another seller's product with few converting costs and (4) the retailing company's products are undistinguishable (Ireland, Hoskisson and Hitt, 2017).

Suppliers can affect an industry through their ability to elevate prices or decrease the quality of obtained goods and services (Wheelen and Hunger, 2014). Suppliers tend to be powerful, if (Ireland, Hoskisson and Hitt, 2017) : (1) there are a few big suppliers and the buying's firm is not focused, (2) substitute products are not offered to the purchasing firms, (3) the buying firms are not important costumers for the supplier and (4) the supplier's products have high swapping costs for the purchasers.

Competitive rivalry or how intense is the competition in the industry? The following conditions describe the very intense rivalry (Dobson, Starkey and Richards, 2004): (1) slow growth, (2) a huge number of firms, (3) high fixed costs, (4) absence of product differentiation, and (5) high exist barriers.

2.3.4 Internal Analysis

After a thorough analysis of the company's external environment, an examination of the internal environment follows. Analyzing the internal environment gives us information about its strengths and weaknesses, which must confront the opportunities and threats arising from the business environment to formulate an optimal development strategy. Each enterprise has scarce resources, which include material, financial and human resources. Analyzing the internal environment begins with enterprise resource analysis, which forms the basis for recognizing enterprise capabilities and is one of the determinants for developing a strategy. Another determinant is the critical success

factors (CSF). CSF are essential for a company's success. Analyzing CSF can be performed by using different models. In this diploma thesis, we'll use McKinsey 7S model.

The McKinsey 7S framework was originally proposed by Richard T. Pascale and Anthony Athos in their book, the Art of Japanese Management (Pascale and Athos, 1986) and subsequently refined by Robert H. Waterman, T.J. Peters and J.R. Philips, who distinguished the model through its application at McKinsey & Company consulting engagements (Waterman, Peters and Philips 1980). The essence of the McKinsey model is that a firm is the comprehensive sum of its parts, and that the internal dynamics of an organization clearly determine that organization's ability to compete, especially focusing on both the strategy and the structure which determine management's effectivity. The McKinsey 7S model attempts to create an awareness of the factors, when applied together, will contribute in the formation of an organization that is greater than the sum of its parts (Plant, 1999). The unity of the seven factors can be seen in Figure 2.4.

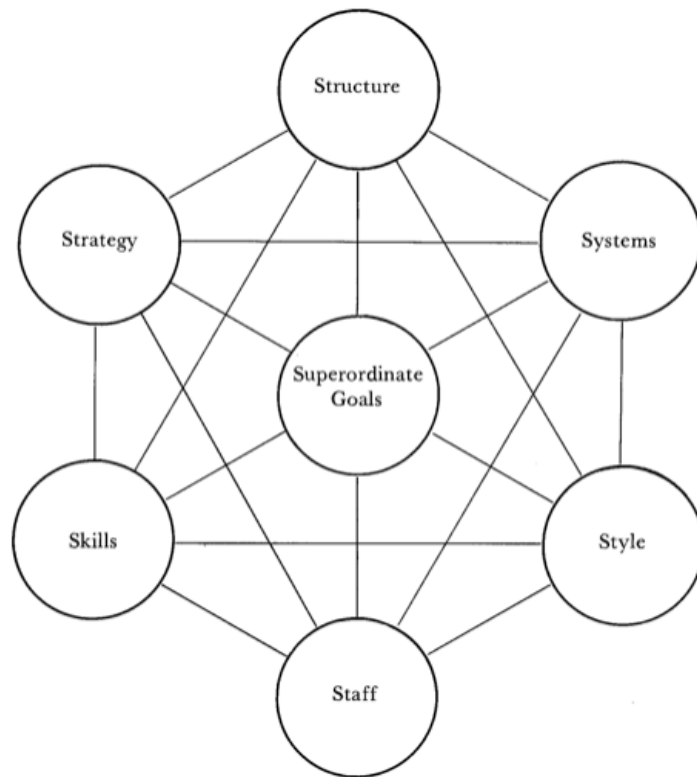


Figure 2.4 McKinsey 7S Framework

Source: Tom Peters < <https://tompeters.com/2011/03/a-brief-history-of-the-7-s-mckinsey-7-s-model/> >

As the name of the analysis implies- 7S, focuses on seven key factors in any organization, which are interconnected in daily processes. According to Mallya, we can distinguish the following internal factors: strategy, structure, systems, staff, style, skills, shared values (2007). The first two factors are known as the hard factors, while the rest four factors are known as soft factors. Table 2.2 describes the seven factors of McKinsey 7S framework.

Table 2.2 7S Factors

Strategy	A plan of action to achieve a certain goal.
Structure	An organization's structure is the interrelationship of processes and human capital in order to fulfill the company's objectives.
Systems	Information systems and infrastructure.
Staff	Human resources.
Style	Style of leadership, internal corporate culture.
Skills	Unique characteristics of human capital in a company.
Shared-Values	Common objectives and value set among human capital.

Source: PLANT (1999, page 72), modified.

2.3.5 Financial Analysis

Analyzing the internal environment is insufficient to tell us about the financial situation. The financial analysis focuses on financial data acquired from Balance-sheets or Income-Statements, it interprets these data and evaluates the financial condition of the company.

According to Peterson and Fabozzi, financial analysis is distinct from financial reporting. Financial reporting is the collection and presentation of current and historical financial information. Whereas, financial analysis uses these current and past information to develop estimates of the future (Peterson and Fabozzi, 2007).

Kašík and Franek, the authors of Business Diagnosis ensure that the purpose of financial diagnosis to determine the company's financial performance and determine its financial health (2015). Financial health depends on the company's financial performance and its stability.

Users of financial analysis include various interest groups, especially managers, investors, business partners, governmental institutions, employees, auditors, competitors and professional public (Knápková and Pavelková, 2010). Each of these stakeholders monitor the financial situation regarding a certain organization and focuses on areas in relation with the purpose of the investigation.

In financial analysis, we can distinguish single-criteria and multi-criteria methods (Kašík and Franek, 2015). In this diploma thesis, I'll focus on one-criteria methods, some of which are described in the subsection.

Several techniques are used to analyze the financial statement. The following techniques are the most commonly used for analyzing the businesses: *comparative statement analysis* and *ratio analysis* (Paramasivan and Subramanian 2009).

Comparative statement analysis is an analysis of financial statement, such as balance-sheet and profit and loss account statement at a certain period. It helps to understand the financial performance at different periods of time. Under this analysis, the balance sheet of the current year is compared with previous years. Comparative statement analysis can be horizontal or vertical basis. Results of these analysis can be expressed as an absolute number, index or percentage. Vertical analysis is a percentage that describes which portion an item occupies to a referral item.

Ratio analysis is a commonly used tool in financial analysis, it provides a mathematical connection among two numbers. A ratio is distinguished as various types: *profitability ratios*, *liquidity ratios*, *activity ratios*, and *leverage ratios* (Chandra, 2008).

Profitability ratios reflect the final results of businesses. Among most popular profitability ratios are return on assets (ROA) and return on equity (ROE).

Return on assets – ROA, states how much profit a company can generate from its assets. It is calculated as:

$$ROA = \frac{EBIT}{A}, \quad (2.1)$$

where EBIT stands for earnings before interest and taxes and A for the total assets.

Return on equity – ROE, expresses an organization's net income as a percentage of its owner's equity. It is calculated as follows:

$$ROE = \frac{\text{Net income}}{\text{Owner's equity}} . \quad (2.2)$$

Liquidity ratios measure how easily a company can pay its immediate financial obligations and achieve immediate short-term financial opportunities (Nelson, 2015). Liquidity is essential for the financial health of a business. If an enterprise fails to pay its due on time, it may lead to bankruptcy and insolvency. Among liquidity ratio, we can distinguish the very popular ratio, *current ratio*.

Current ratio compares a company's current assets with its current liabilities. It is calculated as:

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}} . \quad (2.3)$$

Activity ratios, also known as turnover ratio. It measures the effectiveness of the assets and liabilities in the business concern during a specific period (Paramasivan and Subramanian, 2009). The important turnover ratios are ***inventory turnover and total assets turnover***.

Total assets turnover is defined as:

$$\text{Total assets turnover} = \frac{\text{Sales revenue}}{\text{Total assets}} . \quad (2.4)$$

Total assets turnover evaluates the ratio of the company's sales revenue to the total assets. This ratio tells us about the efficiency of the usage of the total assets in terms of its turnover.

Inventory turnover represents the number of times inventory is sold during a specific period, e.g. a year. It is defined as:

$$\text{Inventory turnover} = \frac{\text{Supplies}}{\text{Net sales} / 360} . \quad (2.5)$$

Leverage ratios characterizes the relationship between the internal equity and external equity. Valach states that a low ratio of internal equity related to external equity is considered as a financial weakness and threatens the company's stability due to its reliance on foreign capital, which entails a higher risk (1999). Factors (Kislingrová, 2004), that determine the optimal level of indebtedness

are: the size and stability of corporate profit, the leverage effect, sales volatility, asset structure or financial independence of a company.

The most popular leverage ratio is the debt-asset ratio that measures the level at which borrowed capital supports the company's assets. It is computed as the following:

$$\text{Debt-to-asset ratio} = \frac{\text{Debt}}{\text{Assets}}. \quad (2.6)$$

2.3.6 SWOT Analysis

SWOT is an acronym for strengths, weaknesses, opportunities and threats. It became popular in the 1970s through Albert Humphrey's work at Stanford University examining Fortune 500 data (Dietrich and Livingston, 2012). A SWOT analysis is a subjective assessment of data, which is organized by the SWOT format into a logical order that helps understanding, presentation, discussion and decision making (Chapman, 2011). A SWOT analysis can be represented as a written report or as a chart of four sections (strengths, weaknesses, opportunities and weaknesses), depending on the size of project. A bulleted chart can serve as a brief summary of all previously mentioned analyses.

From the internal analysis, strengths and weaknesses are identified. Whereas, from the external analysis, opportunities and threats are distinguished. These factors are then summarized in a chart and evaluated by submitting weights. The quadrants with the higher potential weights reveal the appropriate potential strategy making.

2.3.7 SWOT Matrix

The SWOT Matrix is an important strategic tool that helps managers formulate four types of strategies: SO (strengths – opportunities) Strategies, WO (weaknesses – opportunities) Strategies, ST (strengths – threats) Strategies, and WT (weaknesses – threats) Strategies. The SWOT analysis is proceeded by matching key internal and external factors to develop a relevant strategy. Examples of matched factors are represented in Table 2.3. Rothaermel supports these strategies by arguing that the insight synthesized from a SWOT analysis increase the chance of gaining a competitive advantage in a business' marketplace (2017).

Table 2.3 SWOT Matrix

	Strengths	Weaknesses
Opportunities	<i>Strength-opportunity strategies</i>	<i>Weakness-opportunity strategies</i>
For example, unfilled customer need, new technologies, etc.	Strategies to pursue opportunities that are a good fit for the firm's strengths.	Strategies to overcome weaknesses to pursue opportunities.
Threats	<i>Strength-threat strategies</i>	<i>Weakness-threat strategies</i>
For example, shifts in consumer tastes away from the firm's product, new regulations, etc.	Strategies to use strengths to overcome threats.	Defensive strategies to prevent the firm's weaknesses from making it highly vulnerable to threats.

Source: Whittington (2012, page 160).

SO Strategies, use the company's internal strengths and take advantage of external opportunities arising from its environment. Whereas, strengths prevail weaknesses.

WO Strategies, the company tries to eliminate its weaknesses by taking advantage of its external opportunities. Even if there are many opportunities in the market, the company can't implement the SO aggressive growths strategy, due to the severity of its weaknesses.

ST Strategies, the company uses its strengths to eliminate or reduce the impact of external threats. However, the company must be able to recognize threats arising from the environment and use its strengths to transform them into opportunities.

WT Strategies are defensive tactics focused at reducing internal weaknesses and avoiding external threats. In fact, such company has to fight for its survival, merge, retrench, declare bankruptcy, or choose liquidation (David, 2007).

2.4 Implementation of Strategy

Certainly, formulating the optimal strategy for a company to follow is essential to achieve and maintain a competitive advantage. However, many strategies fail not because they are improperly formulated, but rather because they are poorly implemented (Hitt, 2017). Placing a high priority on effective strategy execution can be traced to the considerable and well-documented problems most companies have experienced when attempting to execute their strategies. Various surveys over the past two decades show that 60-80% of companies fall far short of the targets expressed in their strategic plans (Kaplan and Norton, 2013). This may also be due to the fact that many strategic initiatives end in the form of SWOT analysis. A complex strategic analysis and formulating an

optimal strategy do not guarantee that the company will successfully meet its strategic objectives. Therefore, it is necessary for the strategy to take in consideration the company's situation, before its implementation and realization. The most popular tool, which interconnects the strategy with operational systems is the Balance Scorecard approach. The Balance Scorecard is an effective tool for small & medium enterprises to define strategies for creating value. It includes the lagging indicators of financial performance and customer value, and indicators of internal processes, in addition to employee learning and growths.

2.5 The Balanced Scorecard

The BSC was co-created by KAPLAN and NORTON (1992) at the beginning of the 90s. In the past, businesses were managed only on the basis of financial indicators. However, this claim was negated with the development of the BSC methodology, hence it linked both financial and non-financial measurements. In other words, the concept of the BSC was oriented towards measuring business performances but was gradually developed to become a comprehensive method of strategic management.

In their book *Translating Strategy into Action*, KAPLAN and NORTON stated that the BSC provides managers with the necessary information they need to navigate to future competitive success. It translates the company's mission and strategy into a wide-ranging set of performance measures that provide the framework for a strategic and management system (1996). In 2004, Nair defined the BSC as a formalism, a method that translates strategic themes into measurable objectives that are ready for the execution at all levels of the company (2004).

Unlike traditional performance measurement systems, which have financial controls at their core, the BSC begins with a company's vision and strategy. The vision and strategy are translated into performance measures, which can be tracked and used to gauge the successful implementation of vision and strategy. This is accomplished by determining objectives and measures in each of the Scorecard's four interconnected perspectives (Niven, 2005): Financial, Customer, Internal Processes, Employee Learning and Growth. Figure 2.5 illustrates the four perspectives of the BSC.

The description of these perspectives will be the subject of the next subsections. However, it is essential to understand the sequence of causes and consequences, where the perspective of employee learning and growths influence the internal processes in an organization, which in turn determines performance in term of the customer's perspective, which in turn determines

performance of the financial perspective.

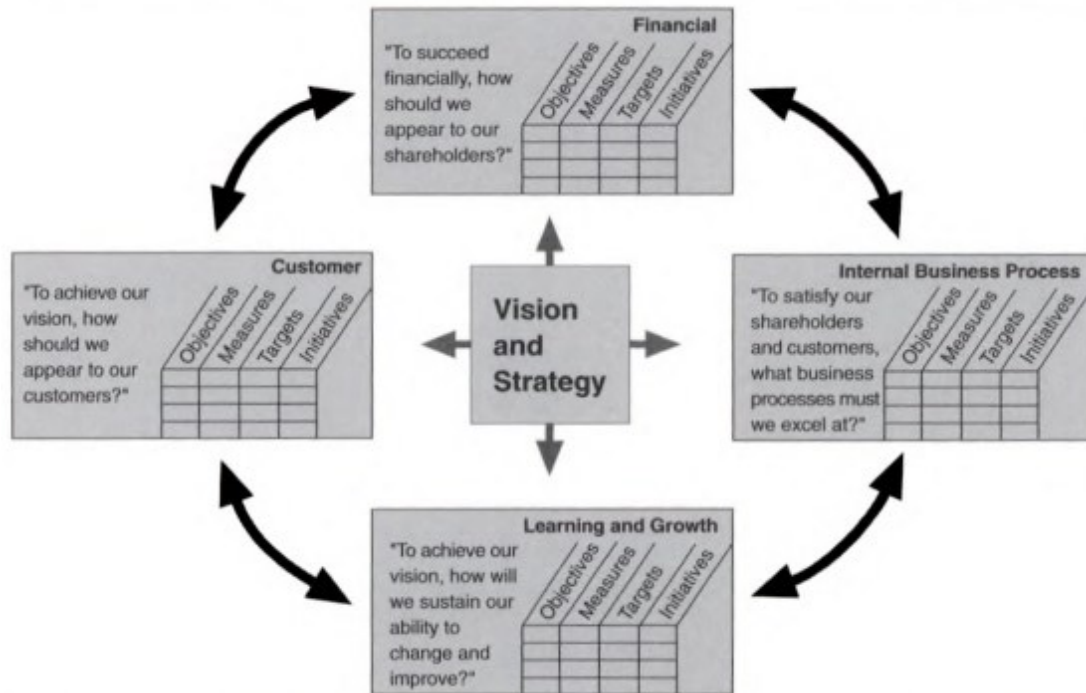


Figure 2.5 The Four Perspectives of the BSC

Source: Kaplan & Norton (1996, page 11).

2.5.1 The Four Perspectives of the BSC

Kaplan and Norton (1996) stated that the biggest advantage of BSC concept is viewing the company from different angles to ensure that information is cohesive in managing the company success. They suggested to view the company from four perspective: financial, customer, process, and learning and development (Figure 2.5). The four perspectives of the BSC provide a balance between short-term and long-term objectives, between financial and non-financial measures and between outcomes expected and the drivers of these outcomes.

2.5.2 Financial Perspective

The financial perspective focuses on the following arguments, what do the shareholders expect from our company or our business partners and what goals stand up from their expectations. Financial measures give us an overview of the economic consequences of earlier actions. They show us whether the company's strategy, its execution and implementation contributed to an

improvement of results. They show us whether the implemented strategy led to the achievement of the owner's objectives. As seen in Table 2.4, Financial objectives are usually correlated to profitability measures, such as, return on equity, return on capital employed or economic value added (EVA). These financial objectives differ according to the stage of the life cycle of company. Businesses classify three stages of life cycle: growth, sustain and harvest (Kaplan and Norton, 1996).

Growth businesses refer to company's product or services with substantial growth potential. However, company can operate with negative cash-flows or low returns on invested capital. The general financial objective will be growing the rates of revenue (in percentage) or sales rates in targeted markets. Businesses in the sustaining phase, have remarkable returns on capital invested. They expect to maintain their market share or to grow slightly by each year. Objectives of businesses in the sustaining stage can be articulated as maximizing the income (Kaplan and Norton 1996). Reaching a mature phase, the company wants to harvest the investments made in the previous stages. These businesses want to maintain their capabilities and equipment and don't want to expand or gain new capabilities.

I have to note that all the objectives formulated by companies from sales growth to expanding and gaining new capabilities have to be in line with the SMART methodology and should reflect the company's situation and life-cycle.

Table 2.4 Measuring Strategic Financial Themes

		Strategic Themes		
		Revenue Growth and Mix	Cost Reduction/ Production Improvement	Asset Utilization
Business Unit Strategy	Growth	Sales growth rate by segment Percentage revenue from new product, services, and customers	Revenue/Employee	Investment (percentage of sales) R&D (percentage of sales)
	Sustain	Share of targeted customers and accounts Cross-selling Percentage revenues from new applications Customer and product line profitability	Cost versus competitors' Cost reduction rates Indirect expenses (percentages of sales)	Working Capital ratios (cash-to-cash cycle) ROCE by key asset categories Asset utilization rates
	Harvest	Customer and product line profitability Percentage unprofitable customers	Unit costs (per unit of output, per transaction)	Payback Throughput

Source: Kaplan and Norton (1996, page 52).

2.5.3 Customer Perspective

In customer perspective of the BSC, organizations identify the customers and market segments that they have chosen to compete. While choosing measurements for the customer perspective, we have to take into consideration the following: who are our target customers, and what is our value proposition in serving them? (Niven 2005). Customer value propositions represent the characteristics that supplying companies provide, through their products or services, to create loyalty and satisfaction in targeted customer segments. The value proposition is the key impression for understanding the drivers of core measurements. Figure 2.6 shows the core measurements of the customer perspective. Thus, they consist of (Kaplan and Norton, 1996): market share, customer retention, customer acquisition, customer profitability and customer satisfaction.

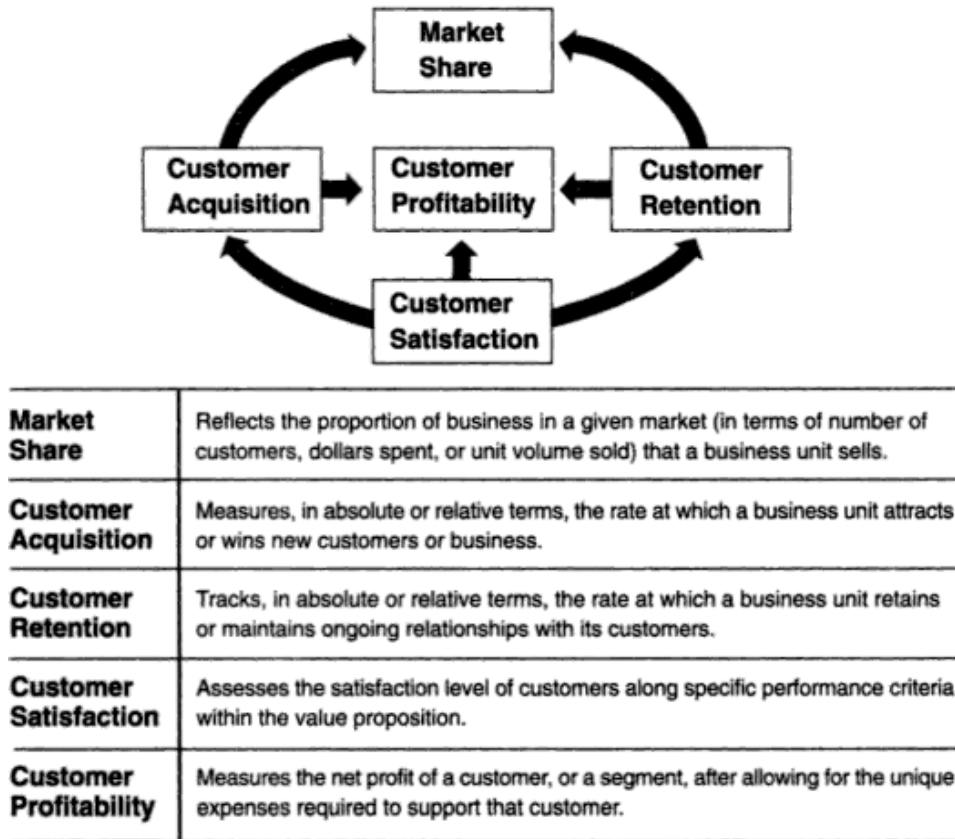


Figure 2.6 Core Measurements.

Source: Kaplan and Norton (1996, page 68).

2.5.4 Internal Process Perspective

In the internal process perspective, it is necessary to focus on processes that the company must excel in order to satisfy customers and hence the owners in the means of financial objectives. Kaplan and Norton describe two essential differences between traditional and BSC approach in performance measurement. The traditional approach monitors and improves business processes. However, the BSC classifies new approaches that the company must excel to meet their expectations. As possible measurements of the internal process perspective are quality, cost and time measurements (Kaplan and Norton, 1996).

Considering today's turbulent business climate, the companies have to work on improving the performance measurement systems. Companies subsequently work on improving the quality, reducing the time of production, maximizing yields and lower the costs of production. Kaplan and

Norton found that a generic value chain model illustrated in Figure 2.7, that it provides companies with a template that can help them customize in preparing their internal process perspective (1996).

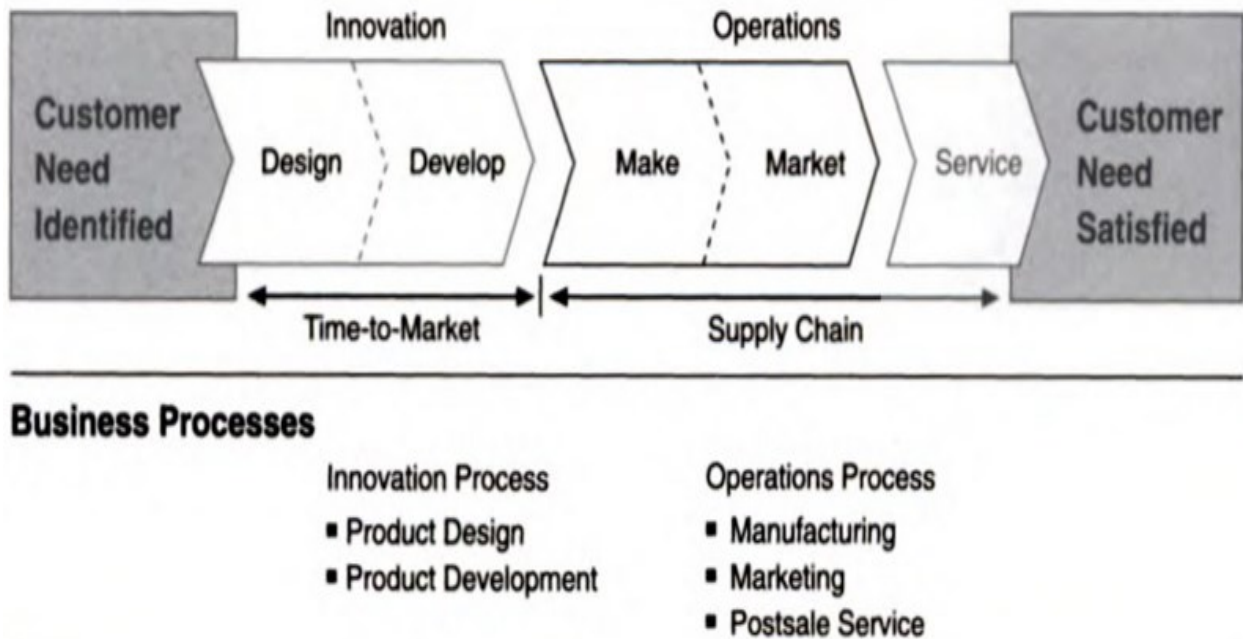


Figure 2.7 The Value Chain Model

Source: Kaplan and Norton (1996, page 96).

The innovation process studies the customer needs, and then produces products that satisfy these needs. In the operational process, the products already exist, but they need to be delivered to customers. The main objectives of the operational process are to deliver the products and services on time and reduce the production's costs (Kaplan and Norton, 1996).

2.5.5 Learning and Growth Perspective

The learning and development perspective focus on the human capital, especially on its development. Employees are the key component needed to achieve the strategic goals and objectives of the BSC perspectives. This perspective provides the companies with the basic infrastructure needed to achieve long-term growth and improvement. Thus, organizations must invest in their people, systems and procedures. Kaplan and Norton (1996) characterize three principal categories for the learning and growth perspective: employee capabilities, information systems capabilities, and motivation. They have also noted that most companies derive employee

objectives from a core of three outcome measurements as described in Figure 2.8, employee satisfaction, employee retention and employee productivity (Kaplan and Norton, 1996).

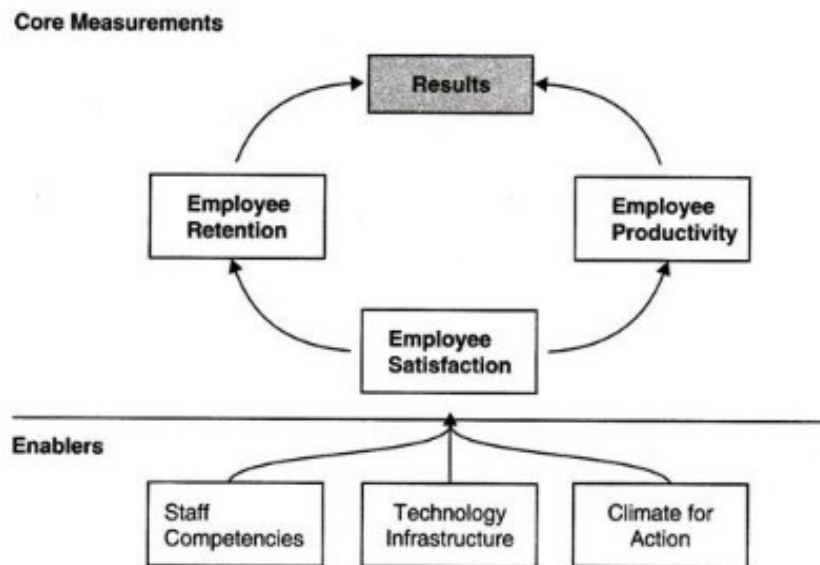


Figure 2.8 Core Measurements of the Learning and Growth Perspective

Source: Kaplan and Norton, (1996, page 129).

To close the gap, companies have to invest on improving the employees' skills, enhancing the information technology and systems, and organizing the procedures and routines (Kaplan and Norton, 1996).

2.6 Strategic Maps

The BSC strategic map provides a framework that illustrates how a strategy links immaterial asset to value creating processes (Kaplan and Norton, 2004). The financial perspective defines the tangible outcomes of a strategy in financial means. For example, returns on investment, returns on capital employed, or profitability. The customer perspective states the value proposition for the aimed customers. If the customers' values are quality and timely delivery, then skills, systems and processes that produce high quality products and deliver them on time are highly valuable for the company. On the other hand, if customers' values are innovation and high-performance, then skills, systems and processes that produce new products with high functionality are the most important factors to the company (Kaplan and Norton, 2004). The internal processes perspective identifies the processes with greater impact on strategy. It is correlated with new investments and development

of new products with high-performance. The learning and development perspective are linked to the immaterial assets – human capital, information systems and organizational capital are essential for creating a value for internal processes (Kaplan and Norton, 2004).

The objectives of these four perspectives are linked by cause-and-effect relationships as seen in Figure 2.9. and it is expressed by if-then statements.

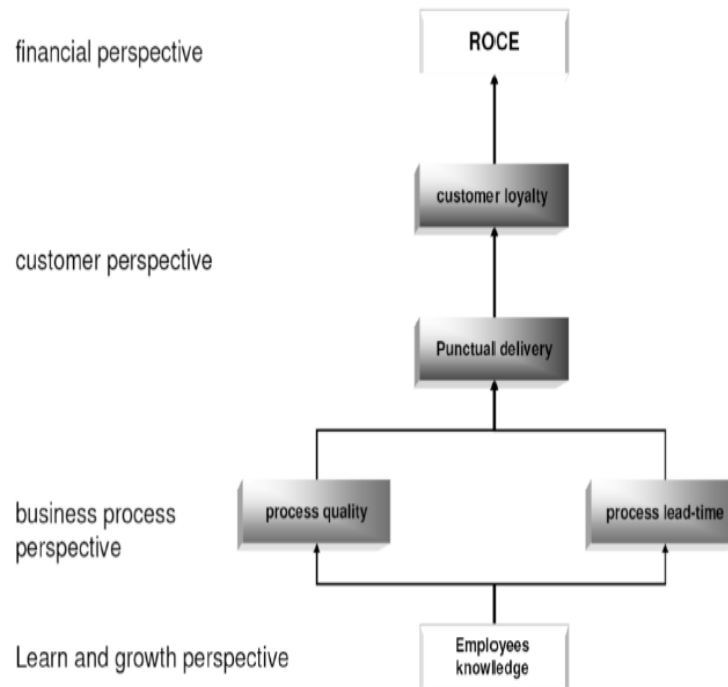


Figure 2.9 Cause-and-Effect Relationships

Source: Kaplan and Norton (1996, page 149).

2.7 Performance Measures of the Objectives

One of the features of the BSC is to simultaneously evaluate whether the strategic objectives are met. This process is achieved through defining measures within each perspective, known as Key Performance Measures (KPI). David Parmenter stated that KPIs represent a set measures that concentrate on those aspects of the company's performances that are the furthestmost critical for the current and future success of the company (2011). KPIs are defined by seven characteristics (Parmenter, 2011) : (1) non-financial measures, (2) measuring frequency, (3) usage by CEOs and senior management team, (4) understanding the measures and taking corrective actions by all

employees, (5) binding responsibilities to individuals or teams, (6) substantial impact, and (7) positive impact.

Considering that each of the four perspectives in the BSC can require up to 3 separate measures, businesses often have up to 25 measures (Kaplan and Norton, 1996). In individual tables, each perspective is listed by specific objectives, measures, initiatives and target values. Subsequently, specific plans of actions are expressed in order to achieve the formulated target values. And each metric is defined by a certain period of time needed to achieve the targeted value.

2.8 Implementing the BSC Method

Before starting to integrate the BSC into the strategic plan, it is essential that the following steps (Brainmass.com, ©2018) are done as to utilize the BSC as a managerial tool:

- the major objectives are to be set for each of the perspectives
- measures of performance are required to be identified under each of the objectives, which would help the company to realize its goals under each perspective (these would act as parameters to measure the progress towards the objectives).
- setting of specific targets around each of the identified areas.
- action plans are to be taken in the various activities.

While working on to implement the BSC, nine important steps are advised to be followed (Brainmass.com, ©2018):

- Step 1: starts with an assessment of the organization's mission and vision.
- Step 2: organization's strategy including strategic results are developed.
- Step3: the strategic elements developed in step one and two are decomposed into strategic objectives.
- Step 4: the cause – effect linkage between the strategic objectives are formalized in a strategic map.
- Step 5: performance measures are developed for each of the enterprise's strategic objectives.

- Step 6: strategic initiatives are developed to support the strategic objectives (strategic initiatives is assigned to appropriate staff and documented in data definition table).
- Step 7: the implementation process begins by applying a SW to get the right information to the right people at the right time.
- Step 8: the BSC is cascaded down into business.
- Step 9: an evaluation of the complete BSC is done.

Figure 2.10 shows the nine steps for implementing the BSC method in a company.

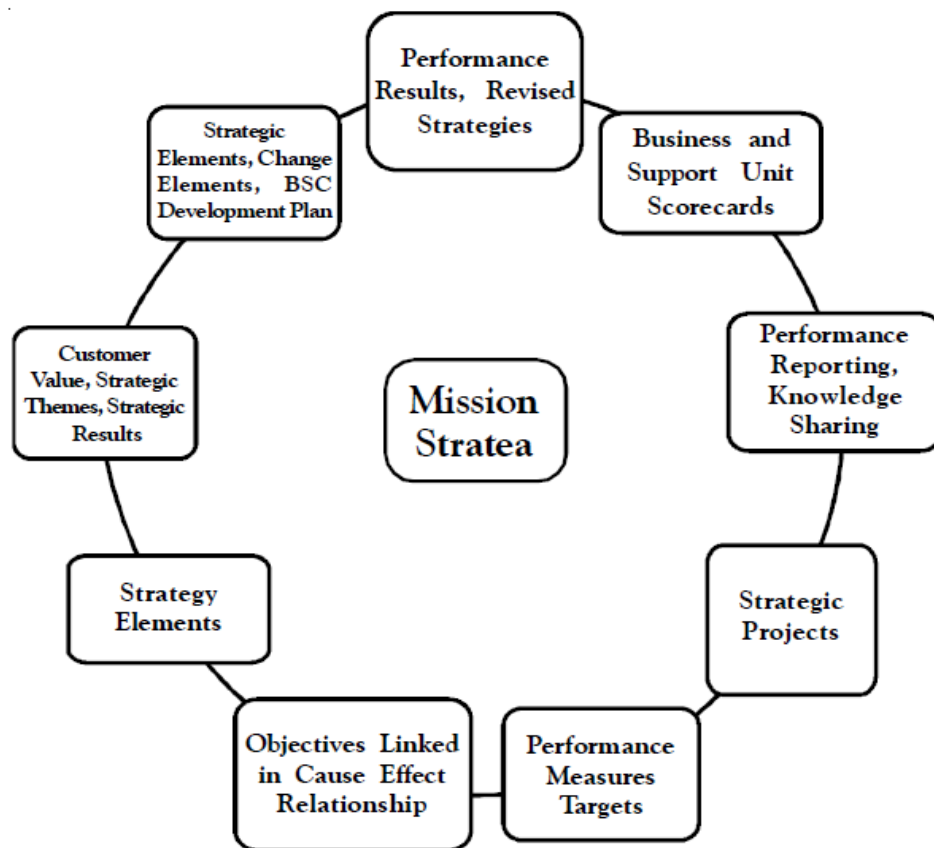


Figure 2.10 Implementing a BSC

Source: SHARMA, Ashu. <<https://brainmass.com/business/balanced-scorecard/performance-measurement-403979>>

2.9 Balanced Scorecard Benefits and Limitations

Bernard Marr states that companies can benefit from BSC in seven ways (Bernardmarr.com, ©2018):

First, the BSC provides an organization with *better strategic planning* by offering it a powerful framework for constructing and communicating a strategy.

Second, it *improves strategy communication and execution* by allowing companies to easily communicate strategy internally and externally. It helps to participate the staff and external stakeholders in the delivery of the strategy.

Third, it provides the company with better alignment of projects and initiatives and ensures that the project and initiatives focus on the strategic objectives.

Fourth, companies that implement BSC tend to have *higher quality management information* by designing key performance indication.

Fifth, it *guides the performance reports* and focuses on the most important strategic issues.

Sixth, BSC enables the company to *better align its organizational structure* with the strategic objectives. Cascading the strategy into SBU will help to link the strategy to operations.

And finally, it helps to *align organizational processes*, for example, risk management, analytics and accounting.

On the other hand, the BSC has its limitations too. It is a very complex tool that relies on the kind of environment, industry and business the organization is in. However, companies always mistaken to understand the tool and start the BSC development with KPIs instead of strategy. Also, they forget to revise and refresh the strategic map, KPIs and action plans (Bernardmarr.com, ©2018).

In conclusion, the BSC is a very important strategic tool which not only measures performance but manages the strategy to achieve long-term goals.

3 Company Characteristics

3.1 Company XY LLC. Profile

Company XY LLC. is registered in the business register under the legal form of Limited Liability, with paid-up registered capital of 103 750 000 CZK. The company was founded in the year 1992 and headquarters in the Czech Republic. Company XY LLC. belongs among large companies employing more than 1000 of employees. Its operations are related to trade, production and services (rejstrik.penize.cz, 2019).

According to the business register (2019), the company's business activities are the following:

- manufacture of filters for all kinds of vehicles, internal combustion engines, compressors and others,
- toolmaking,
- purchase, sale and storage of fuels and lubricants in consumer packages up to 50 Kg per pack,
- warehousing and cargo handling,
- locksmithing,
- packaging activities.

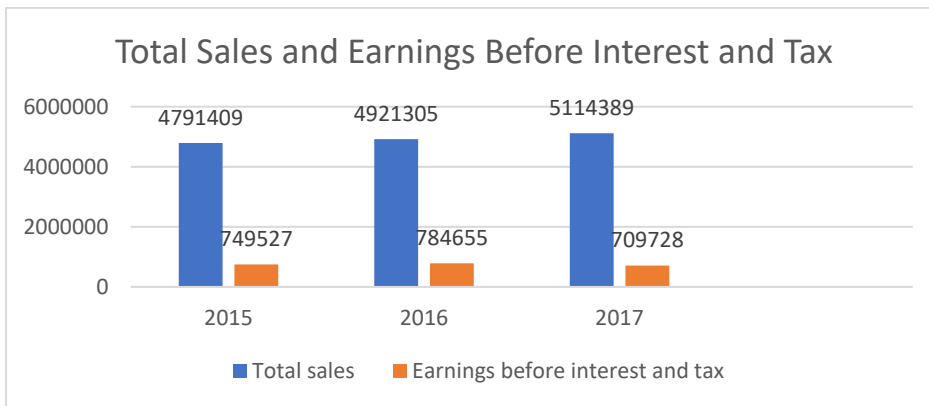
Company XY LLC. is classified among big retails, since it manufactures products and sells it to small enterprises or to the final consumer.

Among Company XY LLC. products are air and liquid filter systems, cabin filters, suction modules, highly functional plastic cylinder head caps for the automotive industry, and filter inserts for vehicle maintenance and servicing. Products for engineering, industrial production and technology include industrial filters, membrane filters for water filtration and exhaust emission reduction program for diesel engines.

Lately, the company was reorganized. As a result of this transition, the company's legal form changed from limited company (Ltd.) to Limited Liability - Partnership (LLC.).

Company XY LLC. is represented by more than 80 locations over the world and hires more than 20,535 employees (the company's website).

According to the final report (2017), Company XY LLC. in the accounting years 2015, 2016 and 2017 had total sales and earnings before interest and tax as seen in Graph 3.1 :



Graph 3.1 Total Sales and Earnings Before Interest and Tax

Source: Own elaboration.

3.2 Management's Strategy

As an expert in the field of filtration, Company XY LLC. develops innovative solutions for the health and mobility of people. What does exactly filtration mean? Filtration separates the useful particles from the harmful. Their products are for numerous areas of sectors including the automotive industry and transportation, clean air for the indoors and outdoors, as well as the sustainable use of water.

Their goal is to provide their customers and business partners with innovative products and services for an excellent price performance ratio.

According the company's website, their vision states that the one who wants to be successful in the market for a long time must have clearly identifiable leadership ideas and visions.

Company XY LLC.:

- Operates with the motto "Success with Filtration". Their values pursue the interests of the customers, employees and owners.
- Is aware of its economic, environmental and social responsibility.

- Undertakes to comply the law and standards. Constantly works on improving its products and processes.
- Deploys systems to protect the environment.
- Focuses on the new technical progresses.
- Guarantees its economic growth and the improvement of products quality.
- Negotiates measurable goals through strategic and operational planning. It regularly monitors the achievement of its goals and implements improvement strategies.

3.2.1 Mission Statement

Company XY LLC. has the following mission statement: ” We care for our customers. Doing so, we are pursuing a clearly defined goal: to maintain and extend our position as a market leader in filtration technology over the coming years. We believe in continuously creating new value by separating the useful from the harmful. Based on our passion for filtration, we shape the future by developing and providing outstanding solutions: quality products, first class service and innovative technology “.

3.2.2 Company XY LLC. Values

In accordance to the mentioned mission statement, Company XY LLC. applies the following corporate values which provide the guidelines and underlying principles when dealing with customers, employees, society and environment.

These values are:

Focus

Integrity

Leadership

Teamwork

Excellence

Respect

3.2.3 Social Responsibility and Certificates

Company XY LLC. continuously expands its product range for new applications which filter air and water. Environment sustainability for financing is an important subject to the company and the company as a first automotive supplier to issue a green bond.

According to the company, success is not possible without quality. For this reason, the management ensures to maintain their commitment to quality at all their locations across the five continents.

It holds the following certificates:

- Quality certificate: IATF 16949:2016.
- Quality certificate ISO 9001: 2015.
- Environmental certificate ISO 14001: 2015.

3.3 Strategic Analysis

In this subsection, we'll study Company XY LLC. macro-environment, micro-environment and the organization itself. The objective of this part is to deduce the company's opportunities, threats, strengths and weaknesses.

3.3.1 Macro-Environment Analysis

In order to analyze the macro-environment, we'll count on **PEST analysis**. PEST analysis is a tool for analyzing environment changes. It allows us to assume the impact of changes in the environment on the company. The impact of certain areas is assessed to political, social, economic and technological aspects.

Political factors are primarily linked to the political situation in a certain country. In Czech Republic, the political situation is stable. This fact is testified by different investments launched from foreign investors in the country and the establishment of multi-national corporation. As a member in the European Union, the Czech companies can take advantage of support programs, like subsidies that promote entrepreneurship. It also tightened environmental, safety and hygiene standards in all economic sectors. Also, the Czech Republic's government influence whether the economic market will be a free-trade market or by non-intervening it. Entrepreneurship in Czech

Republic is guided by legislative measures. These laws include labor code, antitrust laws, tax laws, the act on trade licensing and other.

Social factors – the population of the Czech Republic roughly increased by 15,400 in the first trimester of the year 2018 to become 10,625.449 people. This was caused by the migration, especially from Slovakia and Ukraine. However, studies showed that the real number of the population is decreasing, more people had died than were born (ČSÚ, 2018). For instance, the population number in the company's region has decreased from 111,426 to 111,187 in the second trimester of the year 2018 (ČSÚ, 2019). The number of born babies had counted to 838 in the third trimester of 2018, whereas the number of dead people had been 860 people (ČSÚ, 2019). The ***median of wages*** was 31,516 CZK in the third quarter of the year 2018 in the Czech Republic. However, it had ranked up to 28,723 CZK in the company's region, which is still the lowest average nominal wage in the Czech Republic (ČSÚ, 2019). On the other hand, the region where the company operates achieves positive results in accordance to ***unemployment rates*** currently stands at 3.2% and the national average rate is 2.3% (ČSÚ, 2019). ***Education*** in the Czech Republic is differentiated according to the degree of urbanization and age. We can assume that the people living in bigger cities are more educated than the rural citizens, and younger generations have a higher degree of education than older generations. Company's region suffers from a shortage of universities, where university students have to travel for their education. A big of these commuters remain in the location of their studies after graduating and seek for work. This issue has an impact on the working population. Also, it is hard to find linguistically equipped staff in this region.

Economic factors – the global economic crisis that hit the Czech Republic in the years 2008-2009 had been overcome and in the recent years, the economy is steadily increasing. This is evidenced by the development of the ***gross domestic product*** (GDP) that increased from 2.4% (first quarter of the year 2018) to reach 3.0% by the fourth quarter of the year 2018 (Kurzy.cz, 2019). ***Tax rates*** for employees didn't change and still range 15%, as for legal entities 19%. The fact that Czech Republic has the lowest income taxes grab the attention of the foreign investors, where a large number of multi-national corporations were established during the recent years.

Technological factors – Czech products are not available only in the Czech market, but also emerge to the European and global markets. Quality and competitiveness of these product is important even outside the domestic market. One of the ways how to increase competitiveness is

the access to *high speed information and telecommunication networks*. Also, holding *patented technology* provides the companies with higher chance in the market. A worldwide trend is concerned on increasing the quality of products by demanding higher quality materials characterized by *ISO 9001 :2005 standards*.

3.3.2 Micro-Environment Analysis

In order to analyze the micro-environment, we'll use *Porter's method – five forces*. Porter's model helps us understand the competitive environment in Company XY LLC. These five forces are: power of the supplier, power of the buyer, threat of new entrant, threat of substitute products and rivalry among existing firms.

Bargaining power of supplier – the market is dominated by a large number of suppliers. When considering a business with large suppliers, the company needs to adapt to the business condition. Suppliers are the key elements for the success of Company XY LLC. (world renowned filter specialist). The increase of customers' demands in respect to quality leads the company to consistently work on improving the quality and flexibility of all participants in the chain value. Among the suppliers are: Smurfit kappa GmbH, Randall Metals Corporation, BASF SE, Uchiyama Manufacturing Corporation, etc. Also, Company XY LLC. values its suppliers for their outstanding performance with Global Supplier Awards (company's website).

Bargaining power of buyers - for a buyer to switch to another product is a simple procedure, however it is not only associated with high costs. It's primarily associated with customer care, communication and maintain good relationship with customers. Since the company's customers are highly profiled, such as BMW, Audi, Fiat, Volkswagen and others. However, Company XY LLC. products are strategically important for the customers. The products are customized and differentiated according to the wishes of the customer (packages). Also, the company needs to investigate about the payment habit of the customer. In case of a poor payment morale, the company is threatening itself. In addition, the company has to take care of quality claims and always work on improving it.

Threat of new entrant – in order for a company to enter a new segment, it is associated with huge entry costs and high fixed costs overall. As for suppliers, they have already specialized products, so it will be hard for new entrants to compete Company XY LLC. (limited access to the

market's specialized suppliers). Also, the new entrants have to take into consideration, the loyalty of customers towards the existing companies and support programs from the existing companies.

Threat of substitute products – company's products are known for its long-term proven quality, but also the long-standing proven quality of the company's name and tradition. Analyzing the customer's loyalty is bet so high. Even if there are companies that compete the company's products - it is not possible to do business in the market alone, it is natural to find competitive companies. But Company XY LLC. is always aware of innovating its products according to the customer's wishes and aware of liabilities toward the environment (trend-based innovation). Hence, the company has to consistently monitor the market segments and anticipate any new trends.

Rivalry among existing companies – in the Czech Republic, we can find mostly smaller competitors. However, internationally there are competitors of the same size and even higher. From which we can conclude that the company has a firm position in the Czech market.

3.3.3 Internal Analysis

In this subsection, we'll go through the seven internal factors of the company – McKinsey 7S factors. These factors are strategy, structure, information systems, staff, style of the management, skills and shared values. Also, we'll provide my work with a financial analysis, which will give an answer for the formulated hypothesis.

The aim of ***McKinsey 7S analysis*** is to evaluate the company's seven critical values and identify possible risks that threaten it.

Strategy – Company XY LLC. has a well-developed long-term strategic plan¹ that is implemented in all of its branches across the five continents. This strategic plan focuses on the company's development, quality improvement, increasing the production, and increasing the customer's and employee's satisfaction. Improving the quality of the products is associated with increasing the company's rivalry. Also, one of the company's strategies is to invest on new technologies, build new premises and penetrate into new segments of the market.

Structure - the organization's structure represents hierarchically interconnecting the elements of the functional organizational system. The company is characterized with a high degree of

¹ The strategic plan is formulated by the parent company and implemented in all companies across the world.

formalization and a structured organizational system, which is due to the complexity and specialization of the work tasks. As every job position is accompanied with specific requirements, competencies. Instructions are provided to employee from senior supervisors or managers. Senior employees and managers are subordinated to the management of the company and the company's management is controlled by the parent company.

Information systems – information system management (MIS) is on a high level in Company XY LLC. Systems allow the communication of all departments of the company and enhance the company's goals. Within each department, regular meetings are held in order to be informed about the company's situation and obstacles that encounter the department into reaching the overall goal. In case of any obstacles, problems, or deviation, corrective actions are to be considered. An essential step is to define the responsible people, procedure and goals. It is imperative to know the consequences of not reaching the goals and fulfilling the deadlines on the production line. The procedures are linked in such large companies, so any error may cause unprecedented problems, which is very important to know and at accordingly. Therefore, IS are an integral part of the company, they include intranet, SAP, emails, company's website and company's database.

Staff – the employees are undoubtedly linked to the outcomes (performance and productivity). Because of that, the company has to work on motivating and providing them with the necessary education. Motivating the employees don't have to be a financial means or benefits, essential is to make the employees feel as a part of the company. Education includes language skills and skills' enhancement. This Support creates the corporate culture. Company XY LLC. is characterized by a strong corporate culture, which is important to increase the employees' efforts and loyalty. Also, it is important that the company takes care of qualified employees and making them feel like a part of the company. This will minimize the probability of losing them.

Style of the management – the management's style is based on a democratic approach. The rights and obligations arising from the job description must be clearly clarified. Even it must be clear what duties and responsibilities are linked to the job position. As we already mentioned, communication is an essential part in order to provide both sides with the necessary information. The employee has the right to give his/her opinion in case of any problem. The positive attitude towards the employees and their satisfaction is the motto of the company.

Skills - the job positions in Company XY LLC. are divided into three areas: workers, technical staff and managerial positions. Each position is subjected to different requirements. These requirements include experience, language skills and education background. Technical and managerial positions are qualified according to educational background, experience and expertise. Whereas, the manual positions – workers are qualified according to their work experience and physical abilities.

Shared Values – it is important that the results of each team are stable. Also, each employee must encounter with rights and responsibilities of their job. Fulfilling the tasks is a duty mentioned in the job contract that the employee signed. Shared values are hence to be followed by all the employees when acting on the behalf of the company.

3.3.4 Financial Analysis

As I already mentioned, in the financial analysis we'll count on single-criteria methods. We'll start the financial analysis with comparative statement analysis and then we'll follow it with ratio analysis. In ratio analysis, we'll use rentability ratios, liquidity ratios, activity and leverage ratios. After that, we'll respond to the hypothesis generated in the introduction.

Comparative Statement Analysis – performing a horizontal analysis of the financial statements is the first step in order to assess the company's financial health. It is essential to count with the assets and capital structure of the company. Also, it is necessary to monitor any trends.

Balance – sheet is a basic financial statement of each company. It contains information (data) about the company's assets and sources from which it invests.

Horizontal comparative analysis provides information about balance-sheet's account changes from year to year. These changes can be expressed as an absolute number or as a percentage. Horizontal analysis or also known as trend analysis, because it is used to determine a trend in a situation.

Table 3.1 Horizontal Analysis of Selected Assets

	2014/2015		2015/2016		2016/2017	
Assets accounts	%	K.CZK	%	K. ² CZK	%	K. CZK
Total of assets	5.29	156 520	-0.057	-1 785	20.23	504 863
Fixed assets	5.81	63 067	-0.871	-10 008	6.4	76 617
Tangible assets	5.714	61 578	-0.689	-7 856	6.7	79 291
Intangible assets	19.47	1 489	-23.55	-2 152	-36.04	-2 674
Long-term investments	0	0	0	0	0	0
Current assets	0.865	15 071	-1.09	-19 207	31.74	329 064
Supplies	8.17	22 626	46.71	140 001	10.21	38 776
Account receivables	9.03	115 784	-11.165	-155 910	42.23	256 584
Short-term financial assets	0	0	0	0	0	0

Source: Own elaboration. Data extracted from the Balance – Sheets (Annex 1 and 3).

In 2015, the fixed assets – Table 3.1, had recorded an increase in opposite to year 2014. It had raised up by 63 mil.CZK. This increase was due to the innovation of production processes and to the investment on new equipment. In addition, the current assets had increased by 15 mil.CZK in 2015. Also, the account receivables and supplies had increased by 9 %.

The significant decrease in total assets in 2016 – Table 3.1, was mainly due to the payment of retained earnings and profit share for shareholders. Also, for this payment was used receivable Cash Pool within the company, where its amount ranged about 798 mil. CZK. The decrease of receivables was offset by the increase in supplies in the stage of completion. (Annual report, 2016).

Fixed assets in 2017 – Table 3.1, recorded an increase in the absolute value 76 617 mil. CZK compared to 2016. This change reflects the healthy development of the company, exchange of outdated technologies, investments in machinery for further development of the company and

² K is a casual abbreviation for thousands.

implementation of new projects. A significant increase in current assets in 2017 is due to the increase of short-term receivables and cash on the accounts.

Table 3.2 Horizontal Analysis of Selected Equities and Liabilities

	2014/2015		2015/2016		2016/2017	
	%	K.CZK	%	K.CZK	%	K. CZK
Equities and Liabilities						
Owner's equity	-10	-2 215	-1.71	-37 645	0	0
Share capital	0	0	0	0	0	0
Retained earnings	0.36	5 182	3.59	51 876	0	0
Net earnings	-1.13	-7 394	-13.85	-89 521	0	0
Liabilities	21.19	158 930	3.97	36 094	24.23	492 299
Long-term liabilities	18.83	3 856	-100%	-24 326	0	0
Current liabilities	28.1	169 163	13.73	105 901	24.23	492 299
Account payables	0	0	0	0	0	0

Source: Own elaboration. Data are extracted from the Income Statement (Annex 2 and 4).

In 2015, the company's equity – Table 3.2, was decreased in target to reduce the company's liabilities.

In 2016, there was a change in the ratio of equity and liabilities, due to the payment of retained earnings and profit share to shareholders. This payment was covered by Cash Pool receivables within the company and thus increased the company's liabilities to 1,047 mil.CZK.

On 31st of December 2016, the company's legal form was changed to Limited Liability (LLC.) and the retained earnings were used as a liability toward shareholders.

The financial situation of the company went stably in 2016 and the company didn't get into solvency. Whereas, the financial situation in 2017 was very stable and the company achieved stable financial results.

Ratio analysis consists of rentability analysis, liquidity analysis, activity analysis and leverage analysis. In rentability analysis I'll analyze return on assets (ROA) and return on equity (ROE) .

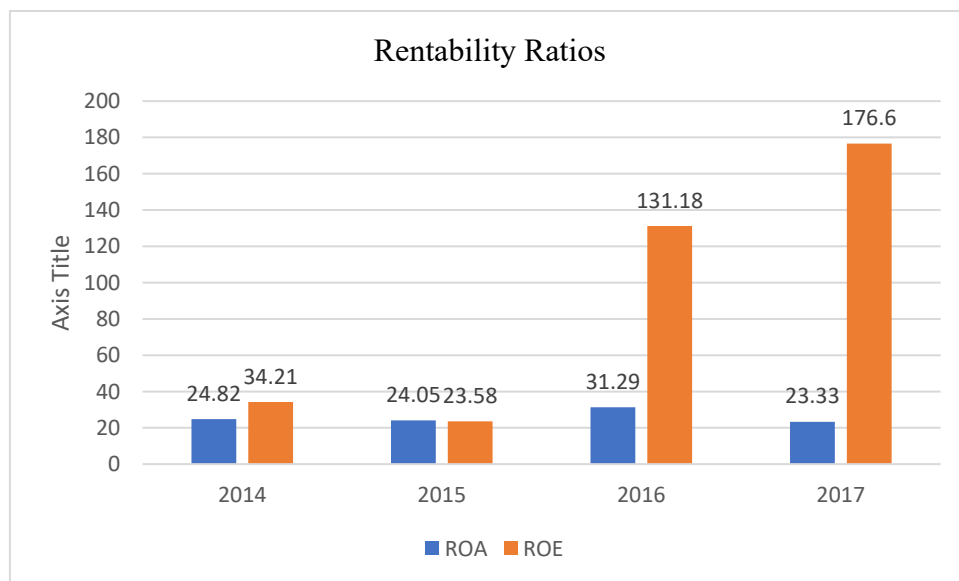
Table 3.3 Rentability Ratios (%).

	2014	2015	2016	2017
Return on assets	24.82	24.05	31.29	23.33
Return on equity	34.21	29.58	131.18	176.6

Source: Own elaboration.

ROA ratio tells us about the production power of the company. From the income statement in Annexes 2 and 4, we can deduce the earnings before interest and taxes. And from the Balance-sheet Annexes 1 and 3, the total assets. ROA ratio is calculated according to the Formula 2.1 mentioned in the theoretical part. ROA exceeded the threshold of 0.2 net profit to one crown invested as seen in Table 3.3. This means that the company has a good utilization of assets especially in the year 2016. For this ratio, higher numbers are better. Even though the ratio decreased in 2017, but the company still holds a ratio above 0.2 threshold.

ROE is calculated based on the Formula 2.2. From the income statement in Annexes 2 and 4, we can deduce the absolute number of earning after tax (EAT) and owner's equity. ROE has a positive trend over the year 2016 and 2017 as seen in Graph 3.1 and Table 3.3. ROE results exceeded one crown of net income to one crown invested. We can deduce that the company achieves a good return on its own capital.



Graph 3.2 Rentability Ratios

Source: Own elaboration.

Table 3.4 Activity, Liquidity and Leverage Ratios

	2014	2015	2016	2017
Current ratio	2.89	2.27	0.51	0.54
Inventory turnover (days)	22	23	28	29
Total assets turnover (%)	4.232	4.173	4.112	4.015
Debt- asset ratio (%)	25	29	84	86

Source: Own elaboration.

Liquidity indicators (current ratios), determine the ability of a company to meet its obligations over a certain period. For its calculation, we have to know the current assets and current liabilities that can be extracted from Annexes 1, 2, 3 and 4. After that we used the Formula 2.3 and the results are represented in Table 3.4. It is advised that the results of the current liability range from 2 to 3. In this case, we see that the values of current liquidity are below the limit range in the years 2016 and 2017. Thus, the company is forced to sell its current assets in order to be able to pay its short-term liabilities (current liabilities). In other words, in 2016 and 2017, the current ratio decreased a lot because the current liabilities of the company had increased.

Activity analysis expresses the ability of the company to manage its assets. In Activity analysis, we'll use total assets turnover - Formula 2.4, that indicates the company's ability to generate net sales from total assets, and inventory turnover - Formula 2.5, that indicates the period of time (expressed in days) for which an item is tied in a business. Data are extracted from Annexes 1, 2, 3 and 4.

Table 3.4 shows that the total assets turnover indicator ranges above 4, which is a good signal. This means that the net sales of the company exceed its total assets. The higher the ratio is, the more efficiently are the assets used.

Inventory turnover expresses the number of days in which products remain in the company until their sale. Lower results are more effective for the company, because it means that the inventory period transformed into cash is shorter. In Company XY LLC., the products remain in stock around

29 days in 2017 – Table 3.4. However, better results were achieved throughout the year 2014, 2015 and 2016.

Leverage ratios express the fact from which sources (own or foreign sources) does the company finance its assets. Analyzing the Debt- asset ratio by using Formula 2.6 and Annexes 1, 2, 3, and 4, we can see in Table 3.4 that foreign sources form more than 80% of the company equity in the year 2016 and 2017. This means that the company depends on foreign sources in order to enhance its development. However, the ratio was lowest in the year 2014 and 2015, where it ranged around 25%. It is advised that the debt to asset ratio should be about 50% or lower, where the current liabilities are decreased. For this reason, the company should work on decreasing its current liabilities, in order to decrease any potential risk.

As a summary to this sub-section, the financial analysis consisted of four parts: profitability, liquidity, activity and leverage ratios. For all the above analyses, we used data from the Annexes 1, 2, 3 and 4.

For profitability ratios, we used return on assets and return on equity. Both ratios showed us respectively a good utilization of assets and that it has a good return on its capital.

Liquidity ratios had a better trend throughout the year 2014 and 2015. This ratio decreased to reach around 0.5 in 2016 and 2017, which is lower than the normal range. This was due to the reorganization of the company. Also, the company's legal form was changed to LLC. (v.o.s) and all the earnings retained till 31st of December 2016 were reported as a liability to the shareholders.

In activity ratios, we analyzed two ratios; total assets turnover and inventory turnover. From the analysis, we can see that the inventory turnover was the lowest in 2012 and highest in 2017. However, the ratio compared to other companies in the industry is normal. Total assets turnover has a stable value of 4%, which means the company is using its assets efficiently.

For the leverage ratios, the debt-to-assets increased by the year 2016 and 2017, because the current liabilities had increased. Moreover, the company owns more than 50% of assets which is good in the future. Thus, the company will be able to pay its liabilities.

Based on the results of the financial analyses and its statements, the following conclusions can be drawn. Company XY LLC. shows signs of financial health, however it could reach better results

in some areas. With this result, I would have answered the formulated hypothesis in the introduction.

3.4 SWOT analysis

As already mentioned, SWOT analysis provides information about the company strengths and weaknesses as well as its opportunities and threats. From the internal analysis, we can distinguish the following strengths and weaknesses. The following factors are summarized in Table 3.5.

Table 3.5 Strengths and Weaknesses

STRENGTHS	Impact ³	Probability	Total	WEAKNESSES	Impact	Probability	Total
S1- Strong image	0.05	2	0.1	W1- Low current liquidity	0.05	-2	0.1
S2- Worldwide corporation of its branches	0.025	1	0.025	W2- Need for qualified people	0.125	-3	0.3
S3- Signs of financial health	0.1	3	0.3	W3- The need for language skills with regard to business corporate	0.1	-2	0.2
S4- Low competition in the segment	0.075	2	0.15	W4- Higher specialization requirements of technical workers (THP)	0.05	-2	0.1
S5- Long-term tradition	0.025	1	0.025				
S6- Product innovation	0.05	2	0.1				
S7- High level of research and development	0.05	2	0.1				
S8 – Inventory turnover (29 days)	0.05	3	0.15				
S9- Rentability of its ratios	0.025	2	0.05				
S10- Strong corporate Culture	0.05	2	0.1				
S11-Value and quality	0.1	3	0.3				
S12- Good communication means in the company	0.025	2	0.05				
S13- Innovative aspects	0.05	2	0.1				
Strengths totals	0.675			Weaknesses totals	0.325		

Source: Own elaboration.

³ The impact of the strengths and weaknesses have to be equal to 1.

On the other hand, analyzing the external environment of the company, its macro-environment and micro-environment, we summarized the following opportunities and threats in Table 3.6.

Table 3.6 Opportunities and Threats

OPPORTUNITIES	impact ⁴	probability	Total	THREATS	Imp.	prob	total
O1- Expanding to new market segments	0.15	3	0.3	T1- Legislative changes	0.05	-2	0.15
O2- Using subsidies from EU	0.15	3	0.3	T2- Low unemployment rates	0.05	-3	0.45
O3- Own development center	0.02 5	2	0.05	T3- Increasing skills requirements	0.07 5	-2	0.15
O4- Possibility of self-education	0.02 5	2	0.05	T4- Changes in the corporate culture	0.02 5	-1	0.02 5
O5- Career growth	0.05	2	0.1	T5- Worth financial situation	0.1	-2	0.2
O6- International recognition	0.05	2	0.1	T6- Competitiveness	0.1	-2	0.2
O7- Life style trends	0.02 5	1	0.025	T7- Poor management strategies	0.02 5	-2	0.05
O8- Product development	0.05	3	0.15	T8- High prices of energy	0.05	-2	0.1
Opportunities total	0.525			Threats total	0.475		

Source: Own elaboration.

3.5 SWOT Matrix

In order to propose an appropriate approach for the SWOT analysis, we'll evaluate the SWOT matrix by using numerical representations <0,1,2> for each combination of factors. Annex 5 shows the numerical representations of the SWOT matrix. After adding up the numerical representations, we summarized the combination with the highest absolute value and deduced the quadrant with the most strategic potential. In Table 3.7, we can see the absolute values of each combination of factors, SO quadrant 96, ST quadrant 90, WO quadrant 5, and WT quadrant -19.

⁴ The impact of opportunities and threats have to be equal to 1.

Table 3.7 Strategic Potential of The SWOT Matrix

	Opportunities								Threats							
	O1	O2	O3	O4	O5	O6	O7	O8	T1	T2	T3	T4	T5	T6	T7	T8
S1	96								90							
S2																
S3																
S4																
S5																
S6																
S7																
S8																
S9																
S10																
S11																
S12																
S13																
W1	5								-19							
W2																
W3																
W4																

Source: Own elaboration.

Evaluating Company XY LLC. through SWOT matrix provided me with information about the best possible potential strategy. In this case, it was S – O strategic quadrant. All the factors in S – O quadrant sign for the company’s development or for growing the shareholders’ financial value. For example, using strong image to expand into new markets, use innovative aspects to develop new products, develop new products by the help of high level of research, product innovation by using EU ‘s subsidies.

Company’s long-term growth will be considered as the main strategic objective. While considering all the strategic themes in BSC, long-term growth will be the head of all objectives.

4 Implementation of Strategy Through Balanced Scorecard

Nowadays, every company is engaged in each perspective of BSC, either by conducting a financial analysis or with customer care programs. However, with the help of BSC, the company is able to determine possible future developments.

4.1 Strategic Themes of The Four Perspectives

With respect to the previous analyses, we have to set strategic themes that will lead to the company's strategy - grow the shareholders' financial value, while the main objective of the company is to achieve long-term growth of the company's value through BSC method. Strategic themes are very broad in scope, they are applied to every part of the company and they define which strategic thrusts will pursue the company's vision (BalancedScorecard.org). The list of strategic themes for each of the perspectives are mentioned below in Table 4.1, 4.2, 4.3 and 4.4.

Table 4.1 Strategic Themes for The Financial Perspective

Strategic Themes	Description
Long-term growth of turnover	The target is the long-term growth in sales.
Grow the net earnings	Increase the net earnings or profit.
Improve Productivity	Long-term growth in labor productivity in term of value added
Long-term growth of the company's value	Increase the value of the organization for the shareholders, stakeholders and owners. It is an initiative for the owners to remain in the business sector.

Source: Own elaboration.

As possible strategic themes in the financial perspective, we generated the following - Table 4.1: long-term growth of turnover, grow the net earnings, productivity in terms of labor productivity and the most important of all – long-term growth of the company's value.

Regarding the customer perspective the following strategic themes – Table 4.2, are going to be considered.

Table 4.2 Strategic Themes for the Customer Perspective

Strategic Themes	Description
Best and reliable services	To provide the best services for the customers and to meet their expectation, such as on time delivery, care programs...
Understand their needs	Understanding the other company's needs and their problems will make them prefer this company's products and services.
PR- public relations	The interconnection with the external layer will provide us with information that will be necessary for the company's development.
Customer satisfaction	Through care programs and dynamic communication with our customers.

Source: Own elaboration.

The strategic themes of the customer perspective are best / reliable services, understand their needs, PR and customer satisfaction.

Before last, the strategic themes summarized in Table 4.3 for the internal process perspective are: innovative products, production of new products, focus on R&D and efficient production planning are the strategic themes for the internal processes' perspective.

Table 4.3 Strategic Themes for the Internal Processes' Perspective

Strategic Themes	Description
Innovative products	Always working on improving the products quality and value.
Production of new products	It focuses on constantly innovating new products through research and development activities.
Focus on research and development (R&D)	It focuses on the innovation and the improvement of product lines.
Efficient production planning	Well-organized production capacity to meet the requirements of the sales department

Source: Own elaboration.

As last, the strategic themes summarized in Table 4.4 for learning and growth perspective are: improve the technical skills, improve the language skills, improve employee's retention, employee satisfaction and improve the employee's productivity.

Table 4.4 Strategic Themes for the Learning and Growth Perspective

Strategic Themes	Description
Improve the technical skills	Work on improving the technical skills for a specific group of employees
Improve the language skills	Improve the language skills (English or German)
Improve employee's retention	Focus on the overall work environment's needs
Employee satisfaction	Provide employees with benefits and good corporate culture, thus only the employee can reflect their work on the overall results
Improve the employee's productivity	Through cross functional teams, creating synergies can increase the total production and results

Source: Own elaboration.

4.2 Strategic Map

While working on the strategic map, we had to consider whether the strategic objectives have a common goal/theme and then we brought them under one common objective. These strategic objectives were then linked by cause and effect relationships. We proceeded with the strategic map from the lower layer – learning and growth (L&G) perspective, through internal processes, customers till the financial perspective. All the strategic goals are illustrated as they progressively lead to the head objective, which is the long-term growth of the company's value. Also, we divided the making up of the strategic map into three stages. In the first stage, we illustrated all the strategic themes in the figure. As a second stage, we had to consider whether the strategic goals have a common goal. At last, we linked all the strategic themes with cause and effect relationships. Figure 4.1 shows the final form of the strategic map.

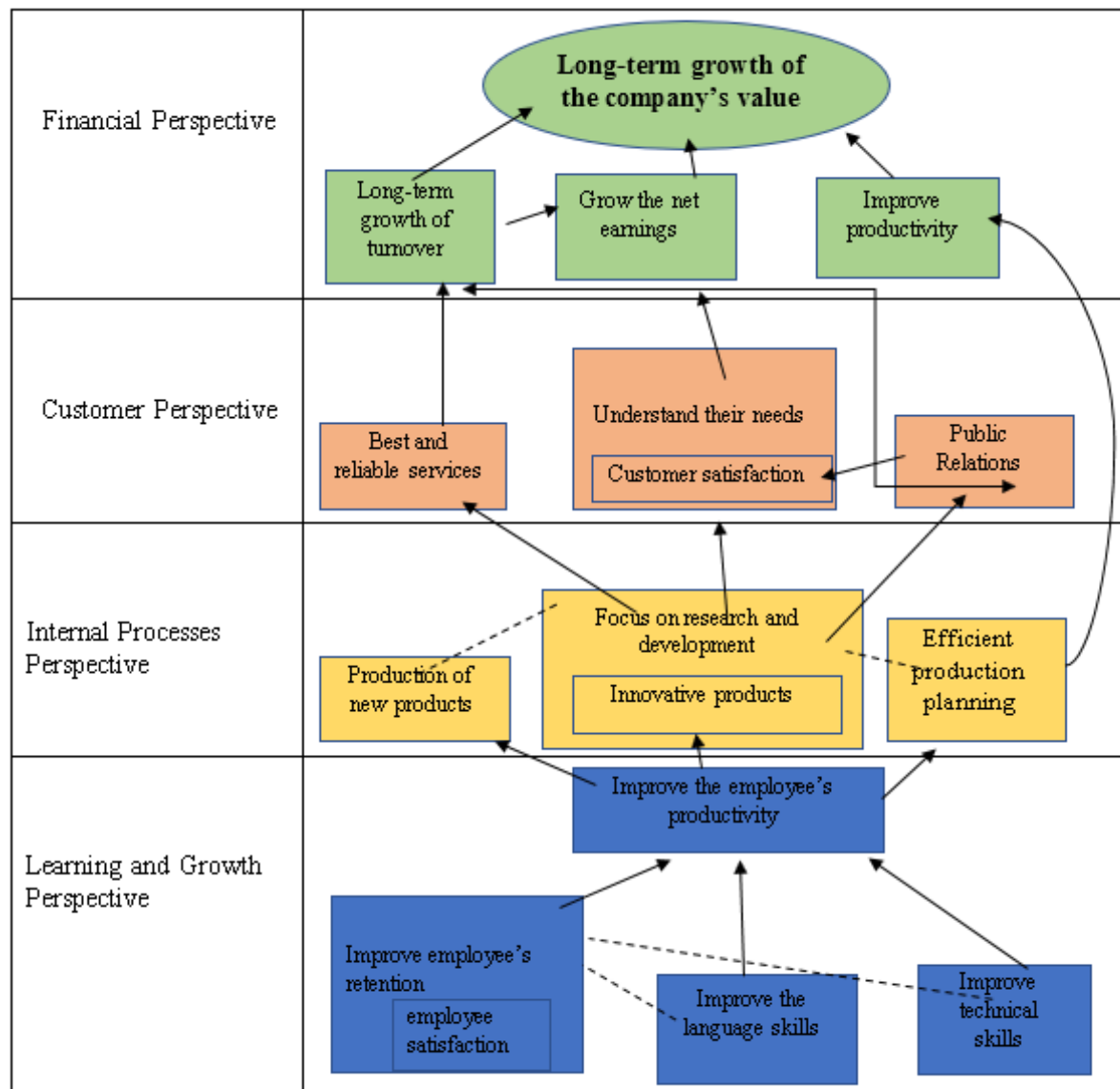


Figure 4.1 Strategic Map

Source: Own elaboration.

Employees satisfaction is associated to the improvement of the employee's retention, which in turn with the improvement of language skills and technical skills are associated to employee's productivity improvement. These key competences form the primary condition for the improvement of the productivity and hence to improve the whole outcome of the company. Without intensive research and development, new products or even innovative products couldn't arise and either the production of new products. Also, improving the productivity of employees and efficiently planning the production will improve the productivity in general and increase the

company's value. Producing innovative products and being delivered on time increase the customer satisfaction, improve the public relations, then increase the turnovers and the net earnings. Improving the financial perspectives have the greatest impact on the ultimate objective 'long-term growth of the company's value'.

4.3 Performance Measures of the Objectives

In order to evaluate that the strategic plans are accomplished, performance measures known as KPIs are to be set. Key Performance Indicators – KPIs as Parmenter (2011) stated are a set of measures that focus on the current and future organization's performance. The set of KPIs for the strategic objectives mentioned in the subchapter 4.2 are stated in Table 4.5.

Table 4.5 KPIs

Perspectives	Strategic Themes	Measures
Financial Perspective	Long-term growth of turnover	<ul style="list-style-type: none"> • Net sales
	Grow the net earnings	<ul style="list-style-type: none"> • ROI / ROE / ROA
	Improve Productivity	<ul style="list-style-type: none"> • Operating expenses
	Long-term growth of the company's value	<ul style="list-style-type: none"> • Ending Cash-flow • Debt-to-equity ratio
Customer Perspective	Best and reliable services	<ul style="list-style-type: none"> • Number of customer's complaints
	Understand their needs	<ul style="list-style-type: none"> • Number of customers retained
	Public relations	<ul style="list-style-type: none"> • Number of new customers
	Customer satisfaction	<ul style="list-style-type: none"> • Customer satisfaction index
Internal Processes Perspective	Innovative products	<ul style="list-style-type: none"> • Number of products sold
	Producing new products	<ul style="list-style-type: none"> • Number of new products
	Focus on R&D	<ul style="list-style-type: none"> • Project turnaround time
	Efficient production planning	<ul style="list-style-type: none"> • Percentage of operating costs • Delivery times
Learning and Growth Perspective	Improve the technical skills	<ul style="list-style-type: none"> • Number of relevant trainings attended
	Improve the language skills	<ul style="list-style-type: none"> • Number of employees attending language courses
	Improve employee's retention	<ul style="list-style-type: none"> • Employee retention

Source: Own elaboration.

All the mentioned KPIs shall be monitored by initials either weekly, monthly or yearly according to the targets set to each of the KPIs.

4.4 BSC Creation for Company XY LLC.

After the determination of the strategic objectives in subchapter 4.1 on the basis of the mentioned analyses and the formulation of the strategy in subchapter 3.5 according to SWOT matrix. We'll define the target measures for the KPIs which will help achieve the company's selected objectives and the frequency of their monitoring. Tables 4.6, 4.7, 4.8 and 4.9 represent the strategic measures and target values for each of the perspectives of BSC. Choosing the right values have been consulted with the company's management.

4.4.1 Financial Perspective

Table 4.6 Measures and Target Values for the Financial Perspectives

Financial Perspectives			
Strategic Objectives	Measures	Targets	Frequency of Monitoring
Long-term growth of turnovers	Net sales	↑ by 20%	Monthly
Grow the net earnings	EAT	↑ by 11,5%	Yearly
Improve productivity	Operating expenses	3 400 000 K.CZK	Half - yearly
Long-term growth of the company's value	Ending Cash-flow	↑ 15%	Half-yearly

Source: Own elaboration.

Long-term growth of the turnovers

Sales growth is an important factor for the company's success. As Company XY LLC. has stated in its mission statement "we care for our customers. Doing so, we are pursuing a clearly defined goal: to maintain and extend our position as a market leader in filtration technology over the coming years". So, satisfying the customer's requirements and providing them with high quality products is thereby the most important issue for the company to do. In order to measure the net sales, the company has to compare it with previous years. The target value is to increase the sales by 20%.

Grow the net earnings – grow the net earnings (EAT)

As the main goal for any company is to ensure the growth of its financial performance and reach profit. It was obvious from the financial analyses, that Company XY LLC. fulfills this objective and managed to reach profit throughout the years. In addition, the company has an upward trend in earnings. Therefore, it's a priority to ensure the continued growth in the future.

Improve productivity – operating expenses

The main strategic goal for enterprises is to reduce costs. By reducing costs, the company can achieve a higher absolute profit. So, it is important to manage the efficiency of the production and improve the employee's productivity.

Long-term growth of the company's value

The main objective of the shareholders and the owner to grow the company's value and become the leading company in the market. In order to do so, the company has to reach stable profits, maintain productivity efficiency, provide the best quality of products and satisfy its customer.

4.4.2 Customer Perspective

Best and reliable services

The company tries to eliminate the number of customer's complaints by creating and maintaining a long-term cooperation with its customers. It also tries to fulfill the needs and expectations of the customers.

Table 4.7 Measures and Values for the Customer Perspective

Customer Perspectives			
Strategic Objectives	Measures	Targets	Frequency of Monitoring
Best and reliable services	Number of customer's complaints	5-10	Quarterly
Understand their needs	Number of customers retained	95%	Half-yearly
Public relations	Number of new customers	1-3	Monthly
Customer satisfaction	Customer's satisfaction index	90%	Quarterly

Source: Own elaboration.

Understand their needs

Through communication, the company tries to know the specific needs of its customers, whether it's a design requirement or a quality request.

Public relations

Through public relations, the company gains new companies. If other companies are satisfied with the company's services and building a strong image in the market can help gain new customers.

Customer satisfaction

As we already mentioned, the company tries to increase the satisfaction of its retaining customers as well as its new customers. The status of the customer satisfaction index is monitored and evaluated quarterly. However, the customer – as a supplier is asked to evaluate the company via a questionnaire at least once a year. Thanks to this feedback, the company is able to change the needs required and eliminate any shortcomings. The results of customer satisfaction analysis (2017) shows a positive trend and that the company delivers on time.

4.4.3 Internal Processes Perspective

Table 4.8 Measures and Target Values for the Internal Processes Perspective

Internal Processes Perspectives			
Strategic Objectives	Measures	Targets	Frequency of Monitoring
Innovative products	Number of products sold	↑5.5%	Yearly
Producing new products	Number of new products	↑10%	Yearly
Focus on research and development	Project turnaround time	2-3 months	Quarterly
Efficient production planning	Percentage of operating costs	55%	Weekly

Source: Own elaboration.

Innovative products

One of the company's strategies is to maintain the quality management system and improve the internal processes. It's not only about preventing deviations to happen but taking into consideration corrective plans. Innovation is one of the requirements of this turbulent world and keeping a pace with the latest technologies and quality requirements is a priority to win in the market.

Producing new products

As already mentioned, being innovative is one of the company's priorities. Innovation is also linked with the introduction of new products that meet the requirements of new markets. For example, a big interest has been given lately for electric cars. As a result, the company has work on providing components that technically support electrical cars.

Focus on research and development

In order to compete in the market, brainstorming new ideas about new products or services has to be given an essentiality. For that reason, the company owns a developing center for working on new projects.

Efficient production planning

In the context of internal processes, regular meetings have to be done. The aim of these meetings is to gain information about the production efficiency on a weekly time basis. Having a good communication system will strengthen the corporate culture and help decreasing any additional costs related to the production.

4.4.4 Learning and Growth Perspective

Table 4.9 Measures and Values for the Learning and Growth Perspective

Learning and Growth Perspective			
Strategic Objectives	Measures	Targets	Frequency of Monitoring
Improve the technical skills	Number of relevant trainings attended	2-3 times	Yearly
Improve the language skills	Number of employees attending language courses	20-30	Yearly
Improve the employee's retention	Employee retention	95-100%	Half-yearly
Employee's satisfaction	Employee satisfaction index	85%	Yearly
Improve the employee's productivity	Average sales per employee	1800 K.CZK	Half-yearly

Source: Own elaboration.

Improve the technical skills

Employee development is an essential part of the learning and development perspective. As it is crucial for elevating the production degree, enhancing new knowledge and increasing the

employee's motivation to collaborate on innovation. Increasing the technical skills is important especially for the tool workers.

Improve the language skills

Since the company's customers are companies from abroad. It is important for the employee to excellence at least one foreign language. At the same time, the company satisfies the needs of employee who want to self-realize and develop personally and professionally. As a result, the company provides English language courses for its staff and focuses on improving communicational and leadership skills of its managers.

Improve the employee's retention

Introducing an appropriate motivation system is strategically important. However, employee's motivation differs from one employee to another especially when referring to lower positions. These employees are motivated by external factors, such as rewards, benefits, penalties and benchmarking.

Employee satisfaction

Analyzing the employee's satisfaction is beneficial for increasing the company's value. People are an important asset through their know – how and experience, the company can achieve its strategic objectives. Employee's satisfaction can be found through out questionnaires. According to the results, we can work on increasing the employee's engagement and satisfy his/her needs.

Improve the employee's productivity

The main purpose of developing the employee's skills is to enhance their productivity and make them engage into the corporate's culture. In order to support work enrichment, job rotation or various feedback forms play an important role in increasing their productivity.

4.5 Plan Suggestion for the Implementation of BSC in Company XY LLC.

The total time we estimate for the preparation and the implementation of BSC is 16 weeks⁵. In Gantt chart - Annex 6 and Annex 7, we explained chronologically the activities to take place and

⁵ According to literatures, 16 weeks is the maximum time should be spent on the implementation of a project.

the people that are responsible for the given tasks. To the whole process, we won't count out the done analyses, because we consider that they are complete.

The plan was processed on the MS project. As already mentioned, the plan will last for 87 days.

While working on the implementation of the strategy, all employees of the company shall participate, because it's essential that they understand the new suggested strategy and work on the reporting of the performance indicators as a part of their work. Their productivity will be slow at the beginning, because they have to focus on the new work, study and report performances. The estimated costs of an hour of work is mentioned in Figure 4.2.

Resource Name ▼	Type ▼	Material ▼	Initials ▼	Group ▼	Max. ▼	Std. Rate ▼	Ovt. ▼	Cost/Use ▼	Accrue ▼	Base ▼
Project Manager	Work		P		100%	250.00 Kč/hr	0.00 Kč/hr	0.00 Kč	Prorated	Standard
CEO	Work		C		100%	300.00 Kč/hr	0.00 Kč/hr	0.00 Kč	Prorated	Standard
Project team	Work		P		100%	180.00 Kč/hr	0.00 Kč/hr	0.00 Kč	Prorated	Standard
Employees	Work		E		100%	150.00 Kč/hr	0.00 Kč/hr	0.00 Kč	Prorated	Standard

Figure 4.2 Estimated Costs of an Hour of Work

Source: Own elaboration.

This plan suggestion consists of 6 phases as seen in Figure 4.3. Each phase is divided into subtasks that are terminated. The list of tasks is described below and can be seen in Annex 7 .

In the *initiation phase*, the management of the company will make a binding decision toward the new strategy and will set a fixed date to start the new project. They also must decide the project's charter and what changes are needed to be done. The management must be aware of previous experiences while implementing the new strategy and look back on previous mistakes have been done. The management must be aware that they should take apart in the whole procedure and commit their selves for the development of the performance indicators. In addition, they have to define time needed to provide feedback about the performance indicators.

While *planning* the whole procedure, standards are to be set for each phase of the process. A project manager shall be named, whose responsibility to overview the processes and make interventions in case of any deviation. The project manager must be able to persuade the management toward a certain right procedure and take the responsibility of his/her actions. The project manager must set up and organize a training for the management and the employees, in order to clarify the new approach and explain the differences between the performance indicators

that the company has focused on and the ones to be considered in the future. Also, the project manager and the management shall select a team of people from each department of the company. Each team will contain 2-6 people and will work on the development of the key performance indicators. These project teams shall be explained how the new strategy will be implemented.

The next step is to *define the scope* of the project. Based on the previous analyses, key performance indicators are to be named. Only the ones that will have a great impact on the company's development. The strategic map can be used as a guide to find these factors (Figure 4.1). While working on identifying the most important factors, the most critical ones will further help to find the right indicators.

Conducting the right information system will help monitor the final results. The project manager with the management shall consult the technical experts about the propriety of using which program. Company XY LLC. uses for this, SAP information system. This information system will the other department track the performance measure, to enter data and made changes. Also, the information systems will provide the management with graphical overview of the changes of the indicators. In addition, these information systems will subsequently help by entering the activities related to the implementation of the new strategy and plan changes. An important prerequisite for working with the database is to regularly update the information. Employees must be trained how to deal with the information system. The project team must ensure that the proper information and databases are filled in. Also, it is essential to appoint a person who be responsible of the database for each department and make sure that the recommended information have been provided.

Choosing the *key indicators for this project* is the important step in the whole procedure. As each department have to choose related key performance indicators to their scope of business. However, these indications have to be monitored either weekly or monthly. For example, the marketing department shall monitor KPIs related to customer satisfaction or the number of customers retained. Indicators need not to focus on the present, but they can depict the past or the future. Then KPIs are to be selected from a set of each team. It is important that the chosen KPIs address the four perspective of the Balanced Scorecard. Practically, the minimum number of KPIs is to be 6 and not more than 26 indicators. After that, the management have to check whether the chosen KPIs match the new strategy. As a possible match of KPIs for this project can be seen in Table (4.5). Choosing the structure of the reported indicators must meet the requirements of the

company's hierarchy and must be reported frequently – weekly, to encourage timely decision making. Other indicators or less important ones can be reported monthly according to the needs of the management. Also, it is essential that the management of the company leaves the BSC suggest on the project team. The developed BSC model can be revised every six months and during that period, proposals for changes shall be discussed and reviewed. Whereas, the project team have to set a proper means of graphs in the information system. The final results would be reflected together with the evaluation in special charts. In order to express a change in the long-term, it is essential to count on the trend analysis.

In *closure phase*, the final statement results of the key indicators are analyzed. A general summary is provided to the whole project. It is important that these results are reviewed and recognized followed with recommendations. Also, it is essential to compare the financial statements and indicators at the end of the project in order to constant with a final report to the process and summarize which indicators are the most profitable and valuable.

As we can see in Figure 4.3, the total costs for implementing the new strategy would be around 348,320 CZK, which includes the wage of employees and lost profit from the time spent studying the performance measurements.

Task Name ▼	Duration ▼	Start ▼	Finish ▼	Predecessors ▼	Cost ▼
Company's New Strategy	87 days	Mon 03/18/19	Tue 07/16/19 5:00 PM		348,320.00 Kč
Initiating	10 days	Mon 03/18/19	Fri 03/29/19 5:00 PM		28,800.00 Kč
Planning	17 days	Mon 04/01/19	Tue 04/23/19 5:00 PM	2	46,080.00 Kč
Define scope	14 days	Wed 04/24/19	Mon 05/13/19 5:00 PM	7	81,760.00 Kč
Conduct an Information system	10 days	Tue 05/14/19 8:00 AM	Mon 05/27/19 5:00 PM	12	35,200.00 Kč
Choose key indicators for this project	26 days	Tue 05/28/19 8:00 AM	Tue 07/02/19 5:00 PM	15	105,280.00 Kč
Closure	10 days	Wed 07/03/19	Tue 07/16/19 5:00 PM	25,18	51,200.00 Kč

Figure 4.3 Plan Suggestion for Company XY LLC.

Source: Own elaboration.

4.6 BSC Benefits and Suggestions for Improvement

The main benefits of applying BSC method in a company is the elaboration of a strategy into strategic objectives, linking it with the company's activities, aligning the corporation of various departments of the company and involving the employees in the implementation of a strategy.

The employees engagement in defining the essential performance indicators will lead to the development of their knowledge, increase their productivity and motivate them to deliver better results. Also, when the employees take a part in the decision making, they will gain self-motivation and be more disciplined . This will provide them with the sense of self-realization, and they will want to make proposals for improving the operations. If their proposals contribute to valuable suggestions, this will lead to the improvement of productivity and the quality of services and products. All these improvements will be reflected on the customer's behavior by increasing their satisfaction. Another important benefit is that the company will strengthen its value in the market, which is the main objective it wants to reach. All these outcomes will lead to an increase in the net sales and hence improve the financial perspective of the company. By improving the financial perspective through better productivity (minimizing operating costs) and increasing sales lead to the increase of the ending cash (potential measure of the main strategic objective).

On the other side, it was clear from the different analyses that the company struggles in different areas. Regarding the learning and growth perspective, five strategic objectives were defined. It was found that the company is committed into strengthening the employees' knowledge through various language courses and improving the technical skills of the workers. Here we would like to propose that the Company XY LLC. cooperates with technical universities in its region by offering training for the technical students. Also, the company can coordinate with language agencies in the region for providing language courses for its employees with a discount.

In the internal processes perspective, four strategic objectives were defined. These strategic objectives stated that the company is working on optimizing its production planning. In order for the processes to turn efficiently, the company shall increase the number of audits per month (ideal 2-3 audits per month). Audit will motivate the employees to improve the productivity and keep on the standards.

The customer perspective consisted of four strategic objectives that concentrated on the customer's satisfaction and understanding their needs. It also highlighted the need to retain its key customers. Losing these key customers would be translated to a significant decrease in sales and hence worsening its financial situation. For this reason, the company has to frequently monitor its customer satisfaction throughout questionnaires.

Finally, the financial perspective entirely depends on the previous perspectives. Their fulfillment will help increase the financial performance of the company. Increasing the net sales, improving the productivity, decreasing costs and maintaining the financial stability of the company are factors that guarantee the achievement of the head objective.

5 Conclusion

The Balanced Scorecard method is definitely not new in the area of management and business performance measurement. Even so, its implementation as a decision support tool at the strategic level has been increasing in the recent years. However, the problem that businesses face is the unclear vision of the strategic directions that are essential while formulating a strategy.

The aim of this diploma thesis was to prepare a complex strategic analysis, to formulate a suitable strategy and to propose the Balanced Scorecard for a selected company.

In order to fulfill this objective, we had to extract information from internal documentations of the company and from its financial statements.

Analyzing the internal and the external environment provided me with information about the company's strengths, weaknesses, opportunities and threats. This was summarized in SWOT analysis. All the factors in the SWOT analysis were evaluated by using weights. The final outcome of the SWOT defined the SO strategy which was then evaluated by SWOT matrix. SWOT matrix assured that result once again with the higher weights of the SO quadrant. SO strategy or Maxi-Maxi strategy contributes to the development of the company's strengths by using its opportunities. The most important strengths were the strong image of the company, innovative products, focus on research and development, world-wide cooperation of its branches and good rentability ratios. The efficient use of the company's opportunities in order to enhance the company's strengths was recommended using the following steps: expansion into new markets, the use of EU's subsidies and product development.

The core business strategy that was formulated, was to increase the financial value for shareholders and the long-term development of the company's image.

Based on the results of the analyses made in chapter 3 (PEST analysis, Porter's method – Five Forces, McKinsey 7S and financial analysis) 17 strategic objectives were defined with regard to each perspective of the Balanced Scorecard. The head of all the strategic objectives was long-term growth of the company's value. The partial objectives of the financial perspective were long-term growth of turnovers, growing the net earnings and improving productivity. The strategic objectives for the customer perspective were the best and most reliable services, understanding the customer's

needs, customer satisfaction and public relations. Within the perspective of the internal processes, the following strategic objectives were formulated: innovative products, the introduction of new products, focus on research and development and efficient production planning. Strategic objectives of the learning and growth perspective were employee retention, employee satisfaction, improving their productivity, improving the technical skills of the workers and the improvement of the language skills of the employees, especially the ones at the higher positions.

After formulating the strategic objectives, we had to consider whether they have a common goal/theme and then we brought them under one common objective. These strategic objectives were then linked by cause and effect relationships. We proceeded with the strategic map from the lower layer – learning and growth (L&G) perspective through internal processes and customer perspective until the financial perspective. All the strategic goals were illustrated as they progressively led to the head objective.

After that, we proceeded by defining measures for each of the strategic objectives, a target value and a frequency required for monitoring. The end of the diploma thesis provided a plan suggestion for the implementation of the strategy. This plan was developed in MS Office Project and consists of 31 consecutive steps which we described and assigned participants to it. According to the project plan, the costs would be 348,320 CZK, if the company chose to implement this strategy.

Finally, we would like to emphasize that the successful implementation of strategy through BSC depends on the approach of all the employees in the company. It is necessary that the management coordinates the various activities with other departments. Also, each employee has to acknowledge his/her responsibilities in order to contribute to the achievement of the strategic objectives and hence lead to the long-term growth of the company's value.

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List of Abbreviations

SWOT: Strengths, weaknesses, opportunities, and threats

BSC: Balanced Scorecard

SW: Software

KPI: Key performance indicators

EVA: Economic value added

ROA: Return on assets

ROE: Return on equity

ROCE: Return on capital employed

CSF: Critical success factors

GDP: Gross domestic product

IS: Information systems

R&D: Research and development

L&G: Learning and Growth

K: Thousands

Mil: Millions

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Ostrava, dated 26-04-2019

Daniela Kharroubi

Student's name and surname

List of Annexes

Annex 1 – Balance-Sheet Statement 2017/2016

Annex 2 – Income Statement 2017/2016

Annex 3 – Balance-Sheet Statement 2015/2014

Annex 4 – Income Statement 2015/2014

Annex 5 – Numerical Representations of SWOT Matrix Factors

Annex 6 – Gantt Chart

Annex 7 – Plan Suggestion for the Implementation of BSC in Company XY LLC.

Annex 1 – Balance Sheet Statement 2017/2016

ROZVAHA

		Běžná účetní období			Minulá účetní období k 31.12.2016		Minulá účetní období k 30.12.2016	
		Brutto	Korekce	Netto	Netto			
AKTIVA CELKEM		4 524 129	-1 821 958	2 702 171	2 495 411	2 495 543		
POHLEDÁVKY ZA UPSANÝ ZÁKLADNÍ KAPITÁL								
B. DLOUHODOBÝ MAJETEK		2 776 634	-1 501 096	1 275 538	1 196 921	1 197 336		
B. I.	Dlouhodobý nehmotný majetek	21 145	-16 401	4 744	7 418	7 428		
B. I. 1.	Nehmotné výsledky výzkumu a vývoje							
1.	Oceněná práva	20 900	-16 401	4 529	6 277	6 285		
2.	Software	20 900	-16 401	4 529	6 277	6 285		
3.	Ostatní oceněná práva							
4.	Goodwill							
5.	Ostatní dlouhodobý nehmotný majetek							
5.	Poskytnuté zálohy na dlouhodobý nehmotný majetek a nedokončený dlouhodobý nehmotný majetek	215		215	1 141	1 141		
1.	Poskytnuté zálohy na dlouhodobý nehmotný majetek							
2.	Nedokončený dlouhodobý nehmotný majetek	215		215	1 141	1 141		
B. II.	Dlouhodobý hmotný majetek	2 753 493	-1 484 695	1 268 798	1 189 503	1 189 910		
B. II. 1.	Pozemky a stavby	742 045	-339 144	402 902	427 772	427 853		
1.	Pozemky	4 613		4 613	4 613	4 613		
2.	Stavby	737 433	-339 144	398 289	423 159	423 240		
3.	Oceněná movitá věc a jejich součásti	1 751 192	-1 146 051	605 141	575 222	575 548		
4.	Ostatní dlouhodobý hmotný majetek							
5.	Poskytnuté zálohy na dlouhodobý hmotný majetek a nedokončený dlouhodobý hmotný majetek	260 263		260 263	186 539	186 539		
1.	Poskytnuté zálohy na dlouhodobý hmotný majetek				1 129	1 129		
2.	Nedokončený dlouhodobý hmotný majetek	260 263		260 263	185 410	185 410		
B. III.	Dlouhodobý finanční majetek	0	0	0	0	0		
B. III. 1.	Podíly - ovládaná nebo ovládaná osoba							
2.	Zálohy a úvěry - ovládaná nebo ovládaná osoba							
3.	Podíly - podílný vliv							
4.	Zálohy a úvěry - podílný vliv							
5.	Ostatní dlouhodobý finanční majetek							
6.	Poskytnuté zálohy na dlouhodobý finanční majetek							
7.	Jiný dlouhodobý finanční majetek							
8.	Poskytnuté zálohy na dlouhodobý finanční majetek							
C. OBĚJNÁ AKTIVA		1 416 514	-22 799	1 393 715	1 036 701	1 036 701		
C. I.	Zálohy	431 479	-13 192	418 287	379 541	379 541		
C. I. 1.	Materiál	190 373	8 243	198 616	125 411	125 411		
2.	Nedokončená výroba a pokrovený	173 395	975	174 370	195 351	195 351		
3.	Výrobky a zboží	87 211	-3 944	83 267	87 779	87 779		
1.	Výrobky	49 817	-3 784	46 033	42 672	42 672		
2.	Zboží	17 394	-160	17 234	15 107	15 107		
4.	Materiál a ostatní věc a jejich součásti							
5.	Poskytnuté zálohy na zálohy							
C. II.	Pohledávky	605 759	-9 597	596 162	607 576	607 576		
C. II. 1.	Dlouhodobé pohledávky	0	0	0	0	0		
1.	Pohledávky z obchodních vztahů							
2.	Pohledávky - ovládaná nebo ovládaná osoba							
3.	Pohledávky - podílný vliv							
4.	Ostatní dlouhodobé pohledávky							
5.	Pohledávky ostatní							
5.1.	Pohledávky ze spořicího							
5.2.	Dlouhodobé poskytnuté zálohy							
5.3.	Ostatní účty aktivní							
5.4.	Jiný pohledávky							
C. III.	Krátkodobý finanční majetek	0	0	0	0	0		
C. III. 1.	Podíly - ovládaná nebo ovládaná osoba							
2.	Ostatní krátkodobý finanční majetek							
C. IV.	Peněžní prostředky	105 276	0	105 276	49 582	49 582		
C. IV. 1.	Peněžní prostředky v pokladně							
2.	Peněžní prostředky na účtech	105 276	0	105 276	49 582	49 582		
D. ČISTÁ ROZVÁŽANÁ ČÁST		340 961	0	340 961	201 708	201 906		
D. 1.	Náklady přírodních zdrojů	3 210	0	3 210	983	983		
2.	Rozhodnutí náklady přírodních zdrojů	337 771	0	337 771	200 805	200 923		
3.	Příjmy přírodních zdrojů							

ROZVAHA

		Běžná účetní období			Minulá účetní období k 31.12.2016		Minulá účetní období k 30.12.2016	
		Brutto	Korekce	Netto	Netto			
C. II. 2.	Krátkodobé pohledávky	675 759	-9 597	666 162	507 576		607 576	
	1. Pohledávky z obchodních vztahů	664 957	-9 597	655 360	593 951		593 951	
	2. Pohledávky - ovládaná nebo ovládaná osoba	94 811		94 811				
	3. Pohledávky - podílný vliv							
	4. Pohledávky - ostatní	94 811		94 811	43 627		43 627	
	4.1. Pohledávky ze spořicího							
	4.2. Ostatní zárukovací pohledávky							
	4.3. Jiné - zárukovací pohledávky	27 945		27 945	29 345		29 345	
	4.4. Pohledávky poskytnuté zálohy	3 289		3 289	1 469		1 469	
	4.5. Ostatní účty aktivní	45 053		45 053	5 430		5 430	
4.6. Jiné pohledávky	8 314		8 314	7 513		7 513		
C. III.	Krátkodobý finanční majetek	0	0	0	0		0	
	1. Podíly - ovládaná nebo ovládaná osoba							
	2. Ostatní krátkodobý finanční majetek							
C. IV.	Peněžní prostředky	103 276	0	103 276	49 582		49 582	
	1. Peněžní prostředky v pokladně							
	2. Peněžní prostředky na účtech	103 276		103 276	49 582		49 582	
D. Čistá rozvázaná část		340 961	0	340 961	201 708		201 906	
D. 1.	Náklady přírodních zdrojů	3 210	0	3 210	983		983	
	2. Komplexní náklady přírodních zdrojů	337 771		337 771	200 806		200 923	
	3. Příjmy přírodních zdrojů							

PASIVA CELKEM		2 933 274	2 493 411	2 493 343
VLÁŠTÍ KAPITÁL		397 889	397 888	491 997
A. I.		101 180	103 750	103 750
A. I. 1.		103 750	103 750	103 750
2.				
3.				
A. II		293 763	293 763	293 763
A. II 1.				
2.		293 763	293 763	293 763
1.		293 763	293 763	293 763
2.				
3.				
4.				
5.				
A. III		10 375	10 375	10 375
A. III 1.		10 375	10 375	10 375
2.				
A. IV		0	0	0
A. IV 1.				
2.				
3.				
A. V		0	0	545 396
A. VI		0	0	-461 327
B. + G.		2 933 398	2 997 823	2 933 886
B.		78 064	66 000	66 000
B. 1.				
2.				
3.				
4.		78 064	66 000	66 000
C		2 523 822	2 531 523	1 937 986
C. I.		0	0	0
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
C. II		2 523 822	2 031 523	1 937 986
1.				
2.				
3.				
4.		10 489		
5.		889 219	889 219	889 219
6.				
7.		989 537	1 047 145	1 047 145
8.				
9.		989 809	315 985	321 823
10.		798 542	93 187	
11.				
12.				
13.		23 252	19 148	19 148
14.		13 983	11 189	11 189
15.		4 236	74 081	74 081
16.		120 904	517 090	517 282
17.		21 1		
D.		0	0	0
D. 1.				
2.				

Annex 2 – Income Statement 2017/2016

VÝKAZ ZISKU A ZTRÁTY

	Stav v běžném období	Stav v minulém období 31.12.2016 (t den)	Stav v minulém období 31.12.2016 (t den)
I. Tržby z prodeje výrobků a služeb	4 779 967		4 809 717
II. Tržby ze prodeje zboží	334 722		311 983
A. Výnosová spotřeba	3 673 062	378	3 527 352
A.1. Náklady vynášené na prodeje zboží	295 531		185 122
A.2. Spotřeba materiálu a energie	2 947 341	80	2 832 737
A.3. Služby	534 730	298	439 100
B. Změna stavů zásob vlastní činnosti (+/-)	10 863	0	-78 968
C. Aktivace (-)	-381	0	-18
D. Ostatní náklady	524 237	0	494 686
D.1. Úrokové náklady	364 508		373 408
D.2. Náklady na sociální zabezpečení, zdravotní pojištění a ostatní náklady	159 729		121 981
D.2.1. Náklady na sociální zabezpečení a zdravotní pojištění	123 336		105 061
D.2.2. Ostatní náklady	36 393		16 920
E. Úpravy hodnot z provozní činnosti	521 300	418	148 131
E.1. Úpravy hodnot dlouhodobého nehmotného a hmotného majetku	156 864	418	154 632
E.1.1. Úpravy hodnot dlouhodobého nehmotného a hmotného majetku - trvalé	156 864		134 632
E.1.2. Úpravy hodnot dlouhodobého nehmotného a hmotného majetku - dočasně			
E.2. Úpravy hodnot zásob	-33 348		3 100
E.3. Úpravy hodnot pohledávek	-2 292		-9 031
III. Ostatní provozní výnosy	661 856	0	78 278
III.1. Tržby z prodávání dlouhodobého majetku	7 189		293
III.2. Tržby z prodávání materiálu	41 607		51 577
III.3. Jiné provozní výnosy	613 059		36 408
IV. Ostatní provozní náklady	881 873	0	133 075
IV.1. Zůstatkové ztráty prodávání dlouhodobého majetku	4 072		487
IV.2. Zůstatkové ztráty prodávání materiálu	37 845		45 834
IV.3. Daně a poplatky	1 375		838
IV.4. Hlavní v provozní činnosti a komplexní náklady přičítané dividendám	12 564		-47 327
IV.5. Jiné provozní náklady	806 124		131 473
V. Provozní výsledek hospodaření (+/-)	678 008	-793	774 917
VI. Výnosy z dlouhodobého finančního majetku - podíly	0	0	0
VI.1. Výnosy z podílů - ovládaná nebo ovládaná osoba			
VI.2. Ostatní výnosy z podílů			
VII. Náklady vynaložené na prodané podíly	0	0	0
VIII. Výnosy z ostatního dlouhodobého finančního majetku	0	0	0
VIII.1. Výnosy z ostatního dlouhodobého finančního majetku - ovládaná nebo ovládaná osoba			
VIII.2. Ostatní výnosy z ostatního dlouhodobého finančního majetku			
IX. Náklady související s ostatním dlouhodobým finančním majetkem	0	0	0
X. Výnosové úroky z podobné výnosy	0	0	4 645
XI. Výnosové úroky z podobné výnosy - ovládaná nebo ovládaná osoba			4 645
XII. Ostatní výnosové úroky z podobné výnosy			
III. Úpravy hodnot z rezerv ve finanční oblasti	0	0	0
IV. Nákladové úroky z podobné náklady	9 566	114	8 353
IV.1. Nákladové úroky z podobné náklady - ovládaná nebo ovládaná osoba	9 566	114	7 832
IV.2. Ostatní nákladové úroky z podobné náklady	0	0	521
V. Ostatní finanční výnosy	88 128	36	20 748
VI. Ostatní finanční náklady	62 451	0	10 108
VII. Finanční výsledek hospodaření (+/-)	34 539	-79	8 923
VIII. Výsledek hospodaření před zdaněním (+/-)	705 143	-473	783 840
IX. Daň z příjmu	-2 703	0	135 544
IX.1. Daň z příjmu splatná	-2 703		135 544
IX.2. Daň z příjmu odložená (+/-)			-100 000
X. Výsledek hospodaření po zdanění (+/-)	702 440	-473	648 296
XI. Převod podílů na výsledek hospodaření společníky (+/-)	702 440	-473	0
XII. Výsledek hospodaření za běžné období (+/-)	0	0	648 296
XIII. Čistý zisk za běžné období	4 362 174	35	5 104 975

Annex 3 – Balance- Sheet 2015/2014

		Běžné účetní období			Minulé úč. období 2014
		Brutto	Korekce	Netto	Netto
	AKTIVA CELKEM	4 417 597	-1 301 342	3 116 255	2 959 735
A.	POHLEDÁVKY ZA UPSANÝ ZÁKLADNÍ KAPITÁL				
B.	DLOUHODOBÝ MAJETEK	2 384 742	-1 236 536	1 148 206	1 085 139
B. I.	Dlouhodobý nehmotný majetek	22 754	-13 819	9 135	7 646
B. I. 1	Zřizovací výdaje				
2	Nehmotné výsledky výzkumu a vývoje				
3	Software	15 912	-10 619	5 293	7 646
4	Ocenitelná práva	3 000	-3 000	0	0
5	Goodwill				
6	Jiný dlouhodobý nehmotný majetek				
7	Nedokončený dlouhodobý nehmotný majetek	3 842		3 842	0
8	Poskytnuté zálohy na dlouhodobý nehmotný majetek				
B. II.	Dlouhodobý hmotný majetek	2 361 988	-1 222 917	1 139 071	1 077 493
B. II. 1	Pozemky	4 613		4 613	4 613
2	Stavby	734 641	-278 176	446 465	458 414
3	Samostatné hmotné movité věci a soubory hmotných movitých	1 492 828	-944 741	548 087	533 078
4	Pěstební celky trvalých porostů				
5	Dospělá zvířata a jejich skupiny				
6	Jiný dlouhodobý hmotný majetek				
7	Nedokončený dlouhodobý hmotný majetek	139 621		139 621	81 694
8	Poskytnuté zálohy na dlouhodobý hmotný majetek	285		285	9 694
9	Oceňovací rozdíly k nabytému majetku				
B. III.	Dlouhodobý finanční majetek	0	0	0	0
B. III. 1	Podíly - ovládaná osoba				
2	Podíly v účetních jednotkách pod podstatným vlivem				
3	Ostatní dlouhodobé cenné papíry a podíly				
4	Zápůjčky a úvěry - ovládaná nebo ovládající osoba, podstatný vliv				
5	Jiný dlouhodobý finanční majetek				
6	Požizovaný dlouhodobý finanční majetek				
7	Poskytnuté zálohy na dlouhodobý finanční majetek				
C.	OBĚŽNÁ AKTIVA	1 821 203	-64 806	1 756 397	1 741 326
C. I.	Zásoby	343 605	-43 909	299 696	277 070
C. I. 1	Malenál	140 886	-26 030	114 856	103 411
2	Nedokončená výroba a polotovary	124 583	-9 308	115 275	96 011
3	Výrobky	60 615	-6 807	53 808	56 138
4	Mladé a ostatní zvířata a jejich skupiny				
5	Zboží	17 521	-1 764	15 757	19 510
6	Poskytnuté zálohy na zásoby				
C. II.	Dlouhodobé pohledávky	0	0	0	0
C. II. 1	Pohledávky z obchodních vztahů				
2	Pohledávky - ovládaná nebo ovládající osoba				
3	Pohledávky - podstatný vliv				
4	Pohledávky za společníky				
5	Dlouhodobé poskytnuté zálohy				
6	Dohadné účty aktivní				
7	Jiné pohledávky				
8	Odložená daňová pohledávka				
C. III.	Krátkodobé pohledávky	1 419 243	-20 897	1 398 346	1 292 562
C. III. 1	Pohledávky z obchodních vztahů	580 820	-20 897	559 923	533 582
2	Pohledávky - ovládaná nebo ovládající osoba	796 230		796 230	710 250
3	Pohledávky - podstatný vliv				
4	Pohledávky za společníky				
5	Sociální zabezpečení a zdravotní pojištění				
6	Stát - daňové pohledávky	28 218		28 218	18 663
7	Krátkodobé poskytnuté zálohy	249		249	4 173
8	Dohadné účty aktivní	6 131		6 131	11 825
9	Jiné pohledávky	5 595		5 595	4 069
C. IV.	Krátkodobý finanční majetek	58 355	0	58 355	181 694
C. IV. 1	Peníze				
2	Účty v bankách	58 355		58 355	181 694
3	Krátkodobé cenné papíry a podíly				
4	Požizovaný krátkodobý finanční majetek				
D. I.	Časové rozlišení	211 652	0	211 652	133 270
D. I. 1	Náklady příštích období	1 362		1 362	1 246
2	Komplexní náklady příštích období	210 290		210 290	132 024
3	Příjmy příštích období				

	PASIVA CELKEM	3 116 255	2 959 735
A.	VLASTNÍ KAPITÁL	2 207 238	2 209 450
A. I.	Základní kapitál	103 750	103 750
A. I. 1	Základní kapitál	103 750	103 750
2	Vlastní akcie a vlastní obchodní podíly (-)		
3	Změny základního kapitálu		
A. II.	Kapitálové fondy	0	0
A. II. 1	Ažito		
2	Ostatní kapitálové fondy		
3	Oceňovací rozdíly z přecenění majetku a závazků		
4	Oceňovací rozdíly z přecenění při přeměnách obchodních korporací		
5	Rozdíly z přeměn obchodních korporací		
6	Rozdíly z ocenění při přeměnách obchodních korporací		
A. III.	Fondy ze zisku	10 375	10 375
A. III. 1	Rezervní fond	10 375	10 375
2	Statutární a ostatní fondy		
A. IV.	Výsledek hospodaření minulých let	1 446 797	1 441 615
IV. 1	Nerozdělený zisk minulých let	1 446 797	1 441 615
2	Neuhrazená ztráta minulých let		
3	Jiný výsledek hospodaření minulých let		
A. V. 1.	Výsledek hospodaření běžného účetního období (+ / -)	646 316	653 710
A. V. 2.	Rozhodnuto o zálohách na výplatu podílu na zisku (-)		
B.	CIZÍ ZDROJE	908 783	749 853
B. I.	Rezervy	113 097	127 186
B. I. 1	Rezervy podle zvláštních právních předpisů		
2	Rezerva na důchody a podobné závazky		
3	Rezerva na daň z příjmů		
4	Ostatní rezervy	113 097	127 186
B. II.	Dlouhodobé závazky	24 326	20 470
B. II. 1	Závazky z obchodních vztahů		
2	Závazky - ovládaná nebo ovládající osoba		
3	Závazky - podstatný vliv		
4	Závazky ke společníkům		
5	Dlouhodobé přijaté zálohy		
6	Vydané dluhopisy		
7	Dlouhodobé směnky k úhradě		
8	Dohadné účty pasivní (nevýfakturované dodávky)		
9	Jiné závazky		
10	Odložený daňový závazek	24 326	20 470
B. III.	Krátkodobé závazky	771 360	602 197
B. III. 1	Závazky z obchodních vztahů	578 230	455 424
2	Závazky - ovládaná nebo ovládající osoba		
3	Závazky - podstatný vliv		
4	Závazky ke společníkům		
5	Závazky k zaměstnancům	18 854	18 424
6	Závazky ze sociálního zabezpečení a zdravotního pojištění	10 463	10 188
7	Stát - daňové závazky a dotace	97 447	50 860
8	Krátkodobé přijaté zálohy	16 706	3 261
9	Vydané dluhopisy		
10	Dohadné účty pasivní	49 592	47 990
11	Jiné závazky	68	16 050
B. IV.	Bankovní úvěry a výpomoci	0	0
B. IV. 1	Bankovní úvěry dlouhodobé		
2	Krátkodobé bankovní úvěry		
3	Krátkodobé finanční výpomoci		
C. I.	Časové rozlišení	234	432
C. I. 1	Výdaje příštích období	234	432
2	Výnosy příštích období		

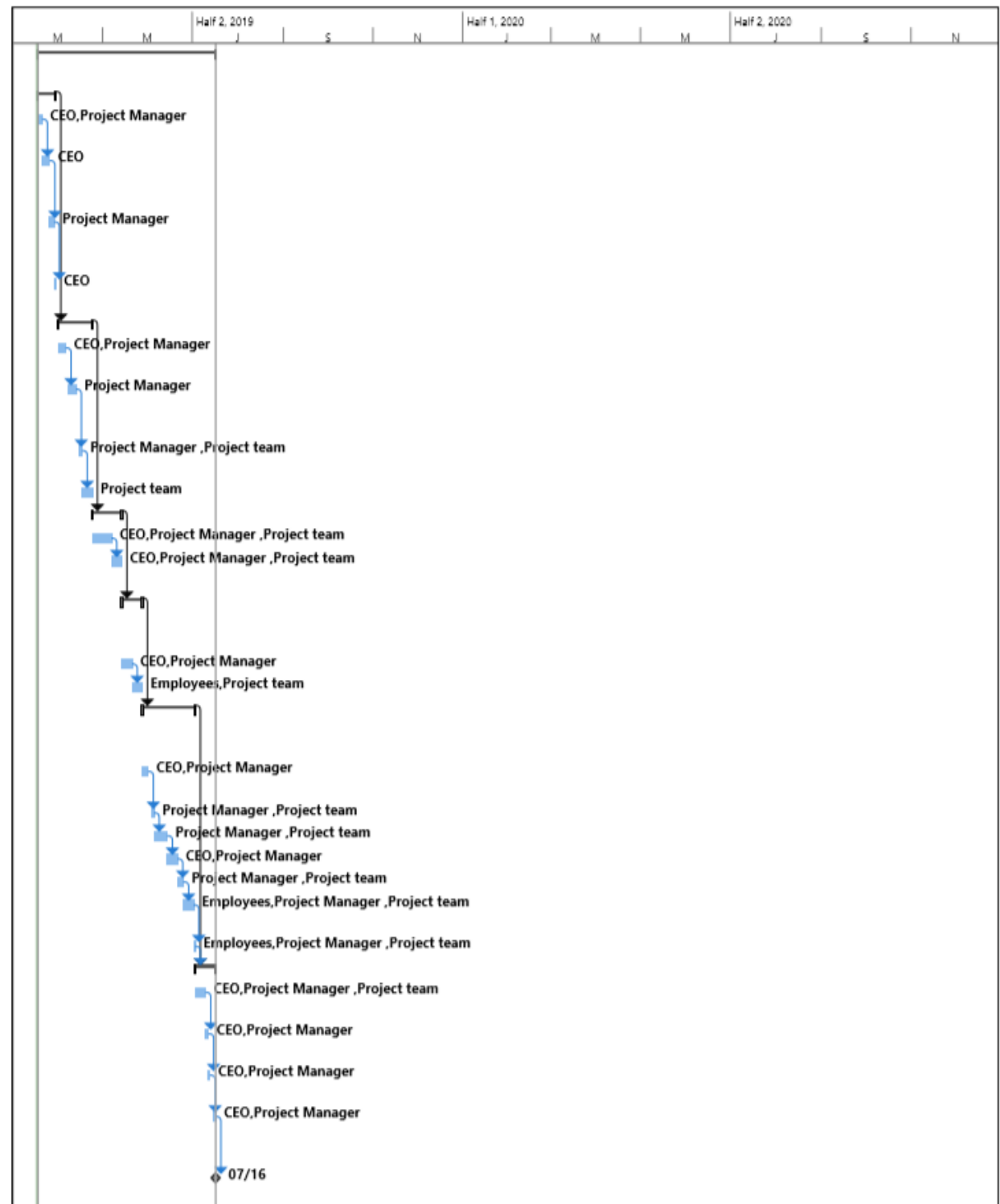
Annex 4 – Income Statement 2015/2014

		Stav v běžném účetním období	Stav v minulém účetním období 2014
I.	Tržby za prodej zboží	309 971	276 065
A.	Náklady vynaložené na prodané zboží	186 257	166 512
+	Obchodní marže	123 714	109 573
II.	Výkony	4 504 903	4 332 780
II. 1	Tržby za prodej vlastních výrobků a služeb	4 481 438	4 315 831
2	Změna stavu zásob vlastní činnosti	23 009	13 645
3	Aktivace	456	3 304
B.	Výkonová spotřeba	3 252 751	3 123 280
B. 1	Spotřeba materiálu a energie	2 863 244	2 767 323
B. 2	Služby	389 507	355 957
+	Přidaná hodnota	1 375 666	1 319 073
C.	Osobní náklady	414 335	411 514
C. 1	Mzdové náklady	299 616	296 121
C. 2	Odměny členům orgánů obchodní korporace		
C. 3	Náklady na sociální zabezpečení a zdravotní pojištění	99 362	98 522
C. 4	Sociální náklady	15 357	14 871
D.	Daně a poplatky	584	550
E.	Odpsy dlouhodobého nehmotného a hmotného majetku	152 984	135 192
III.	Tržby z prodeje dlouhodobého majetku a materiálu	46 317	31 560
III. 1	Tržby z prodeje dlouhodobého majetku	206	
2	Tržby z prodeje materiálu	46 111	31 560
F.	Zůstatková cena prodaného dlouhodobého majetku a materiálu	37 493	29 143
F. 1	Zůstatková cena prodaného dlouhodobého majetku	30	
F. 2	Prodávý materiál	37 463	29 143
G.	Změna stavu rezerv a opravných položek v provozní oblasti a komplexních nákladů příštích období	-20 019	-36 931
IV.	Ostatní provozní výnosy	70 950	48 296
H.	Ostatní provozní náklady	145 005	130 584
V.	Převod provozních výnosů		
I.	Převod provozních nákladů		
*	Provozní výsledek hospodaření	762 751	728 877
VI.	Tržby z prodeje cenných papírů a podílů		
J.	Prodané cenné papíry a podíly		
VII.	Výnosy z dlouhodobého finančního majetku	0	0
VII. 1	Výnosy z podílů v ovládaných osobách a v účetních jednotkách pod podstatným vlivem		
2	Výnosy z ostatních dlouhodobých cenných papírů a podílů		
3	Výnosy z ostatního dlouhodobého finančního majetku		
VIII.	Výnosy z krátkodobého finančního majetku		
K.	Náklady z finančního majetku		
IX.	Výnosy z přecenění cenných papírů a derivátů		
L.	Náklady z přecenění cenných papírů a derivátů		176
M.	Změna stavu rezerv a opravných položek ve finanční oblasti		
X.	Výnosové úroky	5 679	5 336
N.	Nákladové úroky		
XI.	Ostatní finanční výnosy	43 399	40 354
O.	Ostatní finanční náklady	58 623	39 692
XII.	Převod finančních výnosů		
P.	Převod finančních nákladů		
*	Finanční výsledek hospodaření	-7 545	5 822
Q.	Daň z příjmů za běžnou činnost	108 890	80 989
Q. 1	- splatná	105 034	72 356
Q. 2	- odložená	3 856	8 633
**	Výsledek hospodaření za běžnou činnost	646 316	653 710
XIII.	Mimofádné výnosy		
R.	Mimofádné náklady		
S.	Daň z příjmů z mimofádné činnosti	0	0
S. 1.	- splatná		
S. 2.	- odložená		
*	Mimofádný výsledek hospodaření	0	0
	Převod podílu na výsledku hospodaření společníkům (+/-)		
***	Výsledek hospodaření za účetní období (+/-)	646 316	653 710
****	Výsledek hospodaření před zdaněním	755 206	734 699

Annex 5 - Numerical Representations of SWOT Matrix Factors

	Opportunities								Threats							
	O1	O2	O3	O4	O5	O6	O7	O8	T1	T2	T3	T4	T5	T6	T7	T8
S1	2	0	0	1	0	1	0	2	0	0	0	-1	-2	-1	-1	0
S2	1	0	2	1	2	1	1	1	0	-2	-1	0	0	-1	-1	0
S3	2	1	2	1	0	0	0	2	0	0	0	-1	-2	-2	-2	-1
S4	2	0	0	0	0	1	0	1	0	0	0	0	0	-1	-2	0
S5	1	0	0	1	1	2	0	2	0	-1	0	-2	-2	-1	-2	0
S6	2	2	2	1	0	2	0	2	-1	0	-1	-1	-2	-2	-1	0
S7	1	0	2	1	1	2	1	2	0	-1	0	0	-2	-2	-2	0
S8	2	0	0	0	1	1	0	0	-1	-2	0	0	-2	-2	-1	-1
S9	2	0	1	0	0	1	0	2	0	0	0	-1	-2	-2	-2	-2
S10	2	1	0	1	1	1	0	1	0	-1	0	-2	-2	0	-2	0
S11	2	0	1	0	0	2	1	2	-1	0	-1	-1	-2	-2	-2	0
S12	1	1	0	0	1	2	0	1	0	-1	0	-2	0	0	0	0
S13	1	0	2	0	2	2	1	2	-1	0	-2	0	-2	-2	-2	0
W1	-2	2	-1	0	0	-1	0	0	0	0	0	-1	-2	-2	-2	0
W2	-1	1	2	2	1	0	0	0	0	-2	-1	0	0	-1	0	0
W3	2	1	0	2	-1	-1	0	0	0	-1	-2	0	0	-1	0	0
W4	0	0	2	2	-1	0	0	-2	0	-1	-2	0	0	-1	0	0

Annex 6 – Gantt Chart



Annex 7 – Plan Suggestion for the Implementation of BSC in Company XY LLC.

ID	Task Mode	Task Name	Duration	Start	Finish	Predecessors	Resource Names	Cost
1		Company's New Strategy	87 days	Mon 03/18/19	Tue 07/16/19			348,320.00 Kč
2		Initiating	10 days	Mon 03/18/19	Fri 03/29/19			28,800.00 Kč
3		Develop project charter	3 days	Mon 03/18/19	Wed 03/20/19		CEO, Project Manager	13,200.00 Kč
4		Decide what changes shall take place	3 days	Thu 03/21/19 8:00 AM	Mon 03/25/19 5:00 PM	3	CEO	7,200.00 Kč
5		Research previous experiences	3 days	Tue 03/26/19 8:00 AM	Thu 03/28/19 5:00 PM	4	Project Manager	6,000.00 Kč
6		Management commitment	1 day	Fri 03/29/19 8:00 AM	Fri 03/29/19 5:00 PM	5	CEO	2,400.00 Kč
7		Planning	17 days	Mon 04/01/19	Tue 04/23/19			46,080.00 Kč
8		Setup project standards	5 days	Mon 04/01/19	Fri 04/05/19 5:00 PM		CEO, Project Manager	22,000.00 Kč
9		Training the company's management	5 days	Mon 04/08/19 8:00 AM	Fri 04/12/19 5:00 PM	8	Project Manager	10,000.00 Kč
10		Setup a project team	2 days	Mon 04/15/19	Tue 04/16/19	9	Project Manager, Project team	6,880.00 Kč
11		train the team	5 days	Wed 04/17/19	Tue 04/23/19 5:00 PM	10	Project team	7,200.00 Kč
12		Define scope	14 days	Wed 04/24/19	Mon 05/13/19			81,760.00 Kč
13		Identify KPIs	9 days	Wed 04/24/19	Mon 05/06/19		CEO, Project Manager	52,560.00 Kč
14		Identify critical factors	5 days	Tue 05/07/19	Mon 05/13/19	13	CEO, Project Manager, Project	29,200.00 Kč
15		Conduct an Information system	10 days	Tue 05/14/19 8:00 AM	Mon 05/27/19 5:00 PM	12		35,200.00 Kč
16		Choose the IS	5 days	Tue 05/14/19	Mon 05/20/19		CEO, Project Manager	22,000.00 Kč
17		Work with data	5 days	Tue 05/21/19	Mon 05/27/19	16	Employees, Project	13,200.00 Kč
18		Choose key indicators for this project	26 days	Tue 05/28/19 8:00 AM	Tue 07/02/19 5:00 PM	15		105,280.00 Kč
19		determine target values	4 days	Tue 05/28/19	Fri 05/31/19 5:00 PM		CEO, Project Manager	17,600.00 Kč
20		Monitor results	2 days	Mon 05/03/19	Tue 06/04/19	19	Project Manager	6,880.00 Kč
21		monitor weekly	7 days	Wed 06/05/19	Thu 06/13/19	20	Project Manager	24,080.00 Kč
22		analyze the results	5 days	Fri 06/14/19	Thu 06/20/19	21	CEO, Project Manager	22,000.00 Kč
23		Prepare BSC team	2 days	Fri 06/21/19	Mon 06/24/19	22	Project Manager	6,880.00 Kč
24		Prepare BSC structure	5 days	Tue 06/25/19	Mon 07/01/19	23	Employees, Project Manager, Project	23,200.00 Kč
25		Prepare BSC goals	1 day	Tue 07/02/19	Tue 07/02/19	24	Employees, Project	4,640.00 Kč
26		Closure	10 days	Wed 07/03/19	Tue 07/16/19	25, 18		51,200.00 Kč
27		analyze the final KPIs	5 days	Wed 07/03/19	Tue 07/09/19		CEO, Project Manager, Project	29,200.00 Kč
28		Summarize project's results	2 days	Wed 07/10/19	Thu 07/11/19	27	CEO, Project Manager	8,800.00 Kč
29		Review and recognize the	1 day	Fri 07/12/19 8:00 AM	Fri 07/12/19 5:00 PM	28	CEO, Project Manager	4,400.00 Kč
30		Review the financial performance	2 days	Mon 07/15/19 8:00 AM	Tue 07/16/19 5:00 PM	29	CEO, Project Manager	8,800.00 Kč
31		Close out the project	0 days	Tue 07/16/19	Tue 07/16/19	30		0.00 Kč